

# RIVERSIDE PUBLIC UTILITIES

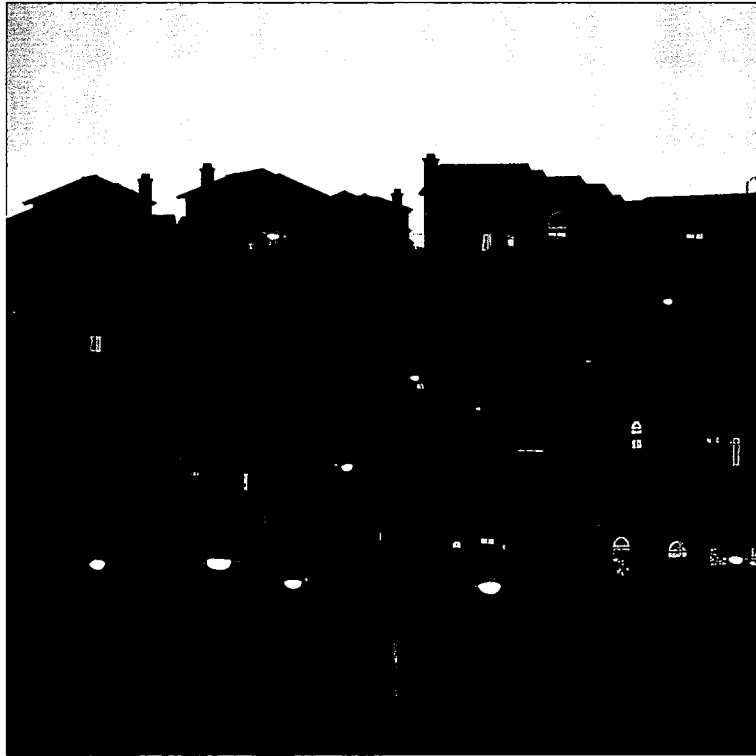
## 1989-90 ANNUAL REPORT

*Ltr Date 12/10/91*

PUBLIC UTILITIES



RIVERSIDE



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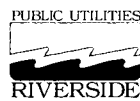
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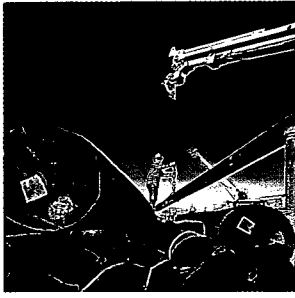
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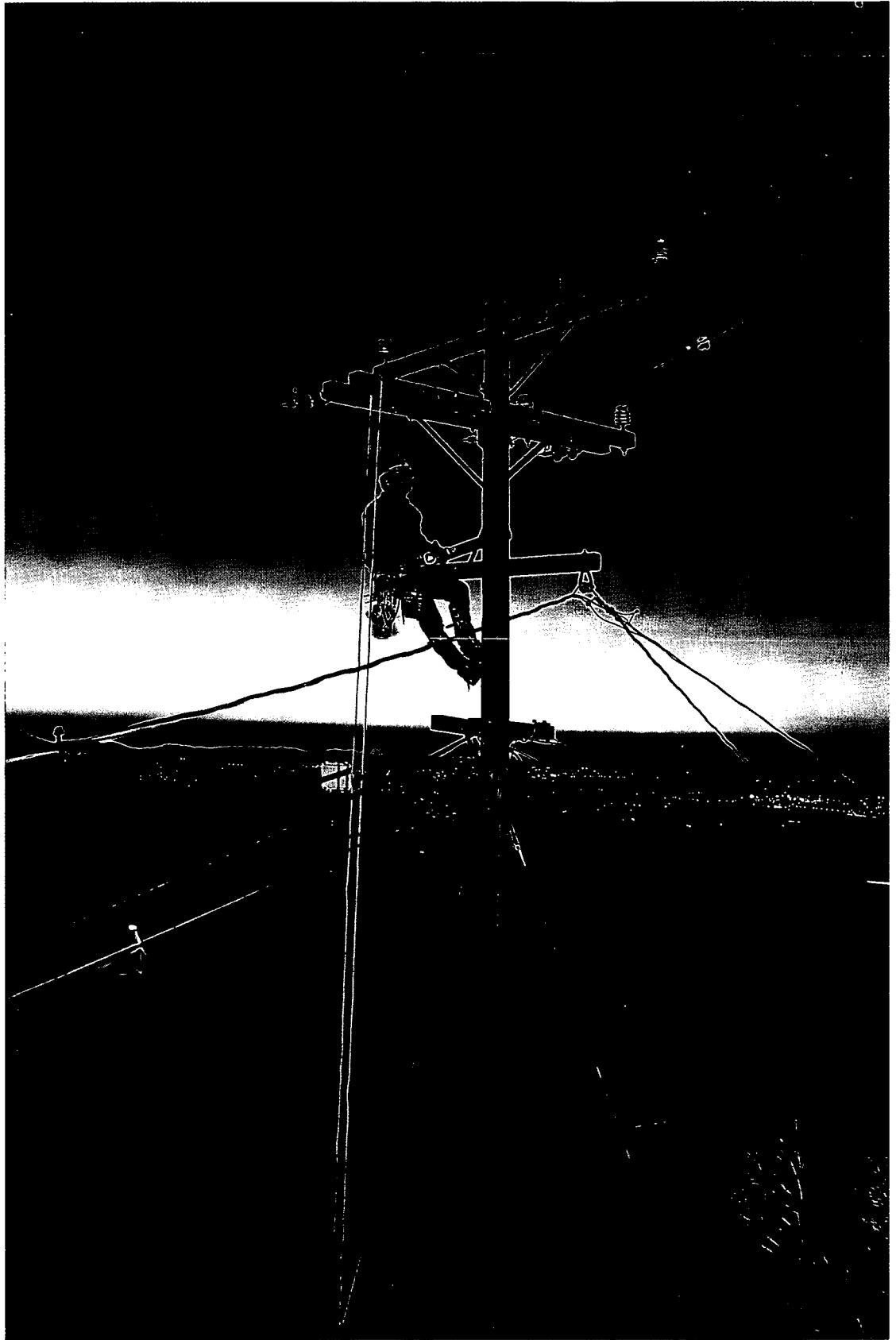
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*Each working day Riverside Public Utilities crews prepare to meet the needs of the community by going beyond the maintenance of the system to planning and building for the future.*

*Continuous and uninterrupted service is a daily standard at Riverside Public Utilities and the local nature of the Utility helps to create an exceptional level of service. The effort of troubleshooters making emergency repairs is only a part of the complex system which provides our electricity.*



## Message From The Director

The role of the publicly-owned utility has changed from one of merely providing products—water and electricity—to one of providing a wide range of services. A range of services which educates, informs, is accessible, is responsible and is responsive. The major theme of this year's report highlights the numerous and varied ways your Riverside Public Utilities fulfills these multiple goals.

Riverside Public Utilities continued to provide the fundamental products in record setting amounts last year. The electric peak demand was 407 megawatts and the water peak day delivery was 95 million gallons. The system has grown to over 87,000 electric customers and 61,000 water customers.

The Utilities has continued to provide a wide range of programs to benefit the customer/owners. The programs vary from assistance to the poor, protecting and preserving our physical environment and providing continued economic health to our community. As has been the case since 1984, there was no electric or water rate increase in the 1989/90 budget year.

The program to develop adequate, reliable, and varied power supply sources continued in 1989/90. The current mix includes hydroelectric, coal and nuclear generating sources with serious consideration given to solar, geothermal, wind and demand side management alternatives for the future. Participation in studies for new transmission lines to bring power to Riverside from outside the region continued.

Locally, two new substations were built to serve increasing load requirements. The Orangecrest and Springs substations were designed to meet the goals of environmental sensitivity in a meaningful and practical way. Both stations have low visual profile designs and are walled and landscaped to be compatible with the neighborhoods.

The current drought continued in 1989/90, however, the impact on Riverside was not as severe as felt by other communities in southern California. Approximately 90% of the water needed was produced locally. Even though mandatory water conservation measures will most likely not be needed in Riverside, the Board of Public Utilities and City Council adopted a comprehensive Water Management Plan which contains voluntary conservation measures for Riverside customers. Utilities' staff investigated many water waste complaints during the last year and informed customers of ways to avoid water waste. This program is expected to expand next year as the drought effects continue to be well publicized in Southern California.

The year 1989/90 has been exciting and challenging for all of the Utilities' employees. As always, the employees have responded in commendable fashion. The increasing demands were met with a true understanding of the desires and needs of the community. The customers of the Riverside Public Utilities can look with pride on the leadership provided by the Board of Public Utilities and City Council plus the dedication and devotion of the employees. It has been my pleasure to have been associated with each and every one of them.

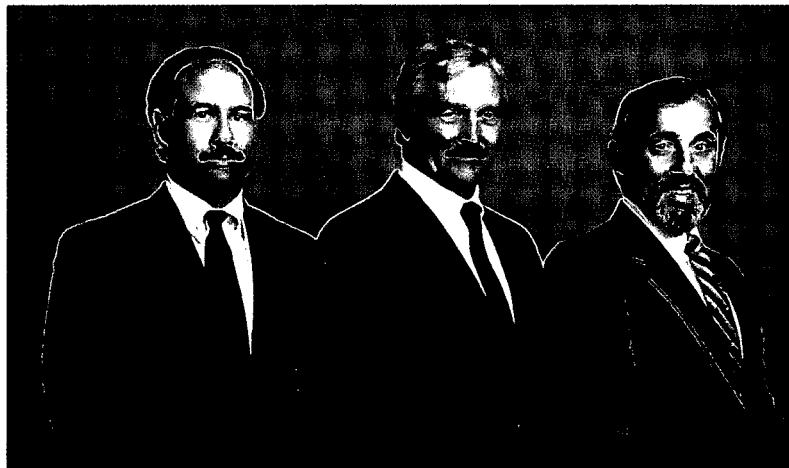


Bill D. Carnahan  
Director, Riverside Public Utilities.

  
Bill D. Carnahan  
Director



*The Board of Public Utilities is made up of citizens appointed for four year terms by City Council: (seated left to right) Esteban Soriano, Roger Luebs (Chair), Ron McCoy, (standing) Paul Osborne, Mary Curtin, Glen Stephens, John Tavaglione.*



*(From left to right) Riverside Public Utilities Assistant Directors: Brian G. Thomas, Finance and Administration; Michael J. Baldwin, Operations; Dieter P. Wirtzfeld, Engineering and Resources.*

# THE CREATION OF CONTEXT

## Providing the Product

As Riverside Public Utilities enters the 1990s, it strives to renew its commitment to service, a commitment born of its understanding of its role in the social and economic sectors of the community, as well as its part in the larger world around us.

Looking back to the genesis of the electric utility in 1895 and the water utility in 1913, the reason for their creation was the delivery of product—electricity and water. That necessity, delivering water and electricity to the homes, businesses, and farms of America, was itself a great movement which created publicly-owned utilities across the country, especially in the 1920s and 30s.

Much of this century has been devoted to that enterprise, the building of great generating stations and water works, the transmission facilities to bring the water and electricity home, and finally, the local delivery of these commodities to the citizens who needed them. But, as this pressing need became satisfied, public utilities grew into a much greater role in the communities they served.

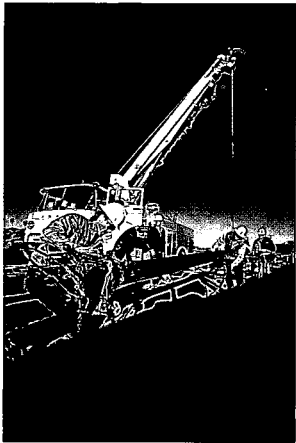
## A System of Service

Directed by its City Council and Board of Public Utilities, Riverside Public Utilities has been able to be especially responsive to the social and economic environment of its community. Employing local people in the service of their own families and neighbors has obvious social benefits in addition to creating an exceptional level of service. But the economic climate of Riverside has benefited as well.

In a city of over 218,000, Riverside Public Utilities employs almost 400 people and has an annual operating budget of \$250 million. More than \$15.3 million in wages and salaries are disbursed into the community and more than \$11.5 million is transferred directly into the City of Riverside's General Fund.

Through these indirect and direct means, Riverside Public Utilities contributes to all facets of the community; parks, roads, fire fighters, police, businesses, stores, restaurants, and real estate. Beyond this, Riverside Public Utilities still maintains safe and reliable service at reasonable rates.

It is these social and economic factors which have been the impetus for a transition over the past decade. You can see it in the Utilities' new programs, programs which assist seniors and the disabled, which help the low income, and which go into the classrooms and the community with a new message of concern and the responsibility to consume responsibly. Riverside Public Utilities has grown beyond being a provider of product and has become a purveyor of service.

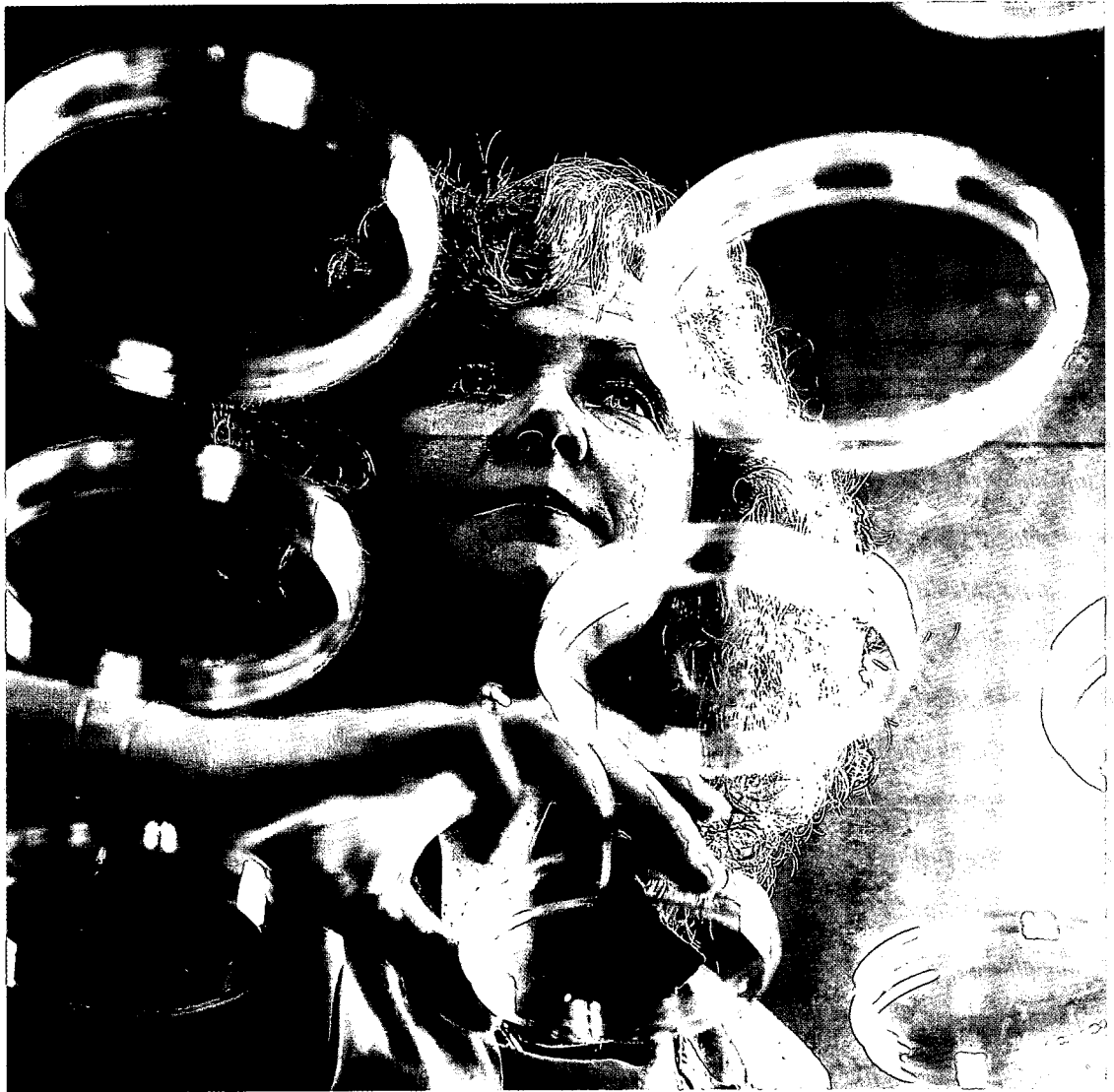


*Riverside Public Utilities has been able to be responsive to the social and economic environment of the community by employing local people in the service of their own families and neighbors. Here electric workers load new power poles for installation.*



New facilities must be planned years in advance of when they are needed. Here an underground electrical service is being designed on a computer.

Each year Riverside Public Utilities takes and tests more than 4,000 samples in an ongoing program to ensure that water quality is safeguarded.



## 1989-90 FISCAL YEAR HIGHLIGHTS

OPERATIONS	ELECTRIC YEAR ENDED JUNE 30		WATER YEAR ENDED JUNE 30	
	1990	1989	1990	1989
Production	1,526 million kilowatt-hours	1,460 million kilowatt-hours	67,847 acre feet	63,948 acre feet
System peak requirements	407,000 kilowatts	367,200 kilowatts	95 million gallons	89 million gallons
Average number of customers	87,000	84,000	61,000	59,000
<b>FINANCIAL (in thousands)</b>				
Total operating revenues	\$146,588	\$119,712	\$16,941	\$16,482
Transferred to City of Riverside General Fund	\$ 9,652	\$ 6,581	\$ 1,895	\$ 1,835
<b>CREDIT RATING</b>	<b>MOODY'S INVESTORS SERVICE</b>		<b>STANDARD AND POOR'S CORPORATION</b>	
Electric Revenue Bonds		Aa		A+
Water Revenue Bonds		A1		A+

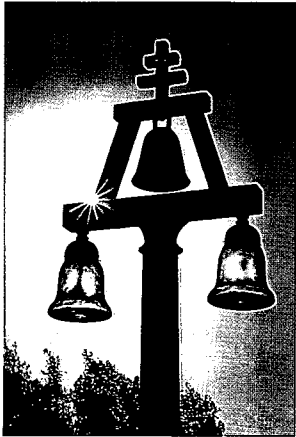
## Reasonable, Reliable, Responsible, Resourceful

But service is complex. It means not only meeting your customers' needs but embracing their aspirations. In the 1990s, those aspirations include a wide range of activities from assisting the poor, to protecting and preserving our physical environment while providing for the continued growth and economic health of our community.

Reasonable and stable rates, reliable delivery, social and environmental responsibility must all be balanced for resources which are finite. As Riverside grows to a population of 253,000 by the year 2000, we will see the results of how well we have planned for this challenge.

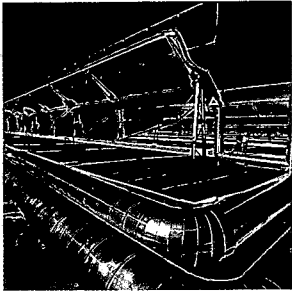
New water and electricity conservation and management strategies will play a part. New facilities will be constructed to meet goals which are sensitive to the aesthetic and natural qualities of the landscape. A new corporation yard will provide for more efficient operations and meet ever increasing service levels. New substations and reservoirs will have low visual profiles, leaving their neighborhoods undisturbed.

A philosophy of resource management has come fully to the forefront. In addition to managing electricity demands in the most cost effective manner, new energy resources such as solar and geothermal technologies will be explored. Independent transmission facilities will open up new energy markets. Water reuse and reclamation will again be emphasized. And as our role in our environment continues to grow, we are prepared to use that understanding to plan for the future in a way which will serve us all.



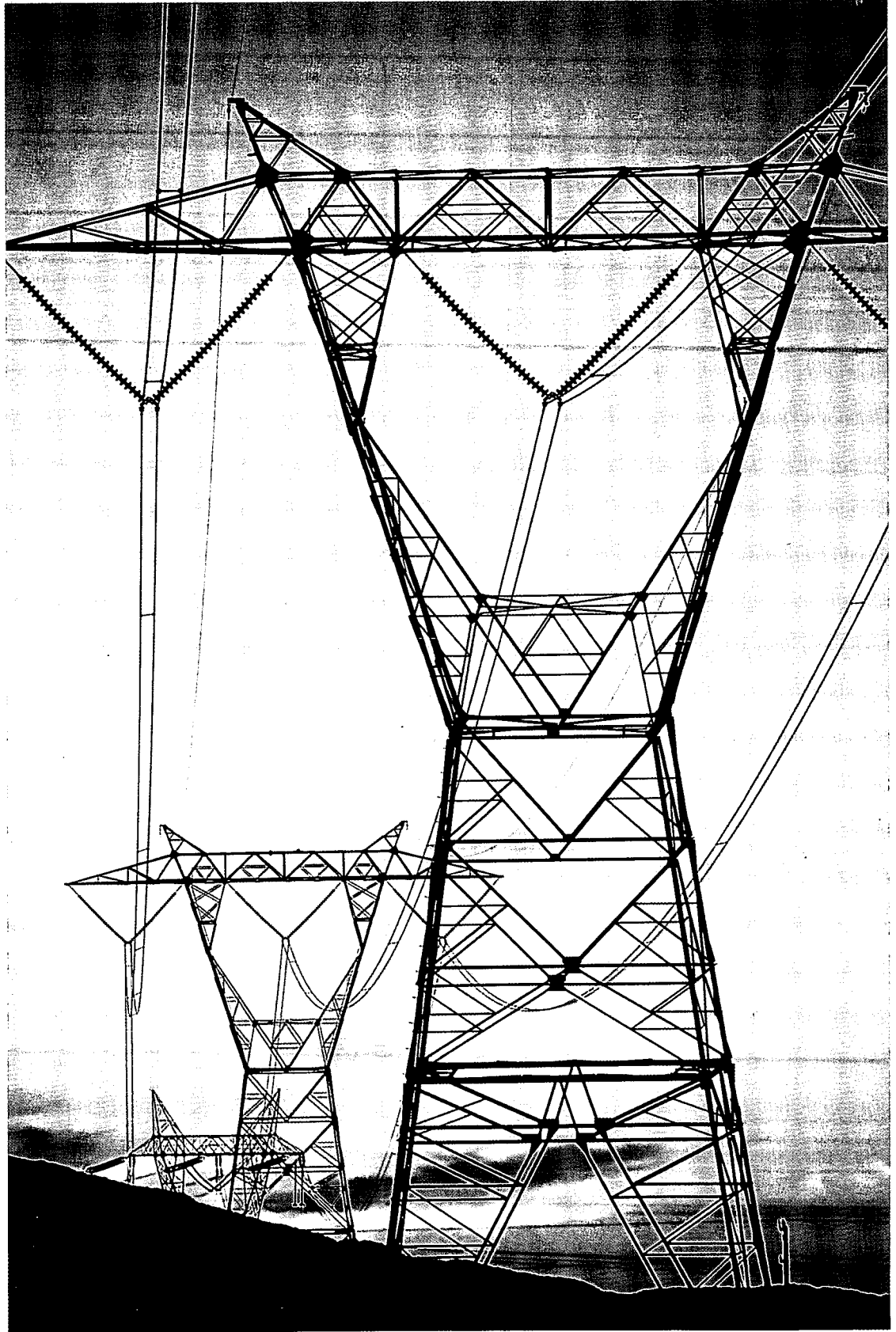
*The City of Riverside has been providing electricity for 96 years and water for 78 years through a publicly-owned utility.*





*Renewable energy resources like solar power could play an important part in Riverside's future energy mix.*

*Long distance transmission lines are an important part of developing resources that we control through our publicly owned utilities. Transmission projects guarantee paths for power at fixed rates.*



## Resources and Reasons

Hydroelectricity. Coal. Nuclear energy. Geothermal resources. Solar power. Wind generation. Oil and natural gas. The diverse sources of electricity present a complex array of options for utilities.

Economic, social, and environmental factors drive the selection of resources for a balanced mix; reliable, renewable, yet reasonably priced. And beyond the selection of the resources themselves, there is the question of their transmission.

As a participant in the energy marketplace, Riverside Public Utilities has developed a diverse energy mix to supply 85% of its own energy needs through resources it controls in partnership with other utilities.

Coal-fired generation facilities with state of the art emission controls, Intermountain Power Project (IPP) and Bonanza Generating Station (Bonanza) in Utah, provide one of the least expensive sources of electricity in Riverside's energy mix. These facilities are located close to their source of fuel but the energy they produce must be transmitted long distances.

Nuclear energy from San Onofre Nuclear Generating Station is one of the few local resources which can provide electricity within the criteria set by the South Coast Air Quality Management District. Hydroelectricity provided by generating facilities at Hoover Dam is both renewable and extremely cost-effective.

This diversity of resources has helped Riverside Public Utilities achieve reasonable and stable rates and guarantee a reliable supply of long term energy.

Riverside Public Utilities also operates in the energy marketplace, in addition to the resources it owns. It executes long term contracts such as the 20 megawatts of seasonal peaking capacity purchased from the California Department of Water Resources (CDWR). This five year agreement saves Riverside Public Utilities more than a half million dollars annually over purchases from Southern California Edison (SCE) for power needed to meet peak uses during the summer. Negotiations to extend this contract began this year.

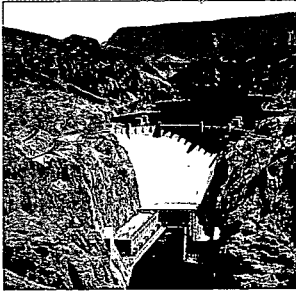
The City of Riverside, along with Anaheim, Azusa, Banning, and Colton reached accord with SCE on a new 1990 Integrated Operations Agreement. This agreement settled a protracted dispute concerning the City's ability to integrate new resources and the operation and dispatch of the City's existing integrated resources. The new agreement provides the City new opportunities for optimizing its resource mix in a timely fashion, reduces the amount of capacity required for reserves, and assures the City full credit from the operation of its resources. In addition, the City and SCE also signed a separate Power Supply Agreement whereby SCE agrees to sell the City specific monthly peaking capacity and associated energy at a price significantly lower than its wholesale rate tariff. This agreement will last through 1998 with a net present worth saving of more than \$30 million.

This year also saw the completion of a new 20 year 1990 Power Supply Plan and Load Forecast. This plan allows for future energy contracts with producers of power from renewable resources. Meeting future needs with resources which meet both economic and environmental goals is exemplified by a new



*Planning for the future is a major part of developing electric resources which are both cost effective and balanced.*

## THE ECOLOGY OF ENERGY



*Hydroelectricity from Hoover Dam is both renewable and extremely cost effective.*

contract with the Bonneville Power Authority (Bonneville). This 20 year agreement will provide 23 megawatts of summer and 16 megawatts of winter peaking capacity, at a present value savings of \$11.5 million over SCE purchases for the life of the contract.

But beyond these savings, the Bonneville agreement meets larger environmental and economic goals through a capacity-energy exchange. Bonneville provides electricity to meet Riverside's peak demands during the day. However, for conservation and economic reasons, Bonneville wishes to avoid releases of water to generate electricity at night. Riverside has excess electricity available at night through its IPP resource. By exchanging this energy at night for energy supplied to Riverside during the day, both economic and conservation goals are met.

Bonneville alone, however, cannot satisfy the demands predicted by the 1990 Power Supply Plan and Load Forecast. Riverside Public Utilities continues to explore new generation facilities and has embarked on an investigation of power purchase agreements for geothermal, solar, and hydroelectric energy.

The reliability of these resources and their cost will be analyzed in the context of Riverside Public Utilities' commitment to reasonable and stable rates to determine the extent to which these new resources will become a part of Riverside's power supply mix.

## The Paths of Power

In the world of power supply, electricity is instantaneous. The moment it is created, it is also consumed.

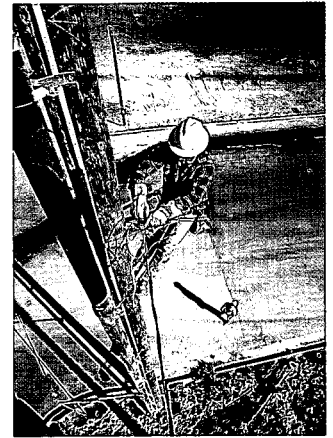
Perhaps the most difficult thing for us to understand is how it can be constantly present, waiting for us to demand it as we press the switches at our homes, schools, and businesses.

Each act, turning on a light, a television, a computer, makes each of us a participant in a great system fed by distant generators and consumed simultaneously by millions of others, just like us.

Like springs which feed streams, the creation and delivery of electricity has evolved into a highly complex interconnected system. Electricity is available to us as individuals in much the same way as we might take water from a great river system—the bucket we dip and lift being instantly replaced somewhere else. But where nature has determined the watercourses for our streams and rivers, it is man that creates the paths for power.

In this vast system, it is not enough to own the sources of electricity, we must also own the means to bring it home or we must pay those who do own those means. Purchased transmission rights are vulnerable to the policies and priorities of the sellers. As a result, Riverside now participates with a variety of other cities, utilities, and power associations in building its own transmission projects, projects which would guarantee the right to transmit certain amounts of electricity at a fixed price.

The Utah-Nevada Transmission Project (Utah-Nevada), for example, is a project which may potentially provide a path for IPP and Bonanza power. Projects like Utah-Nevada, however, represent more than a reliable route at a fixed price. They are gateways to hydroelectric resources in Canada and coal and natural gas facilities in Idaho, Montana and Canada.

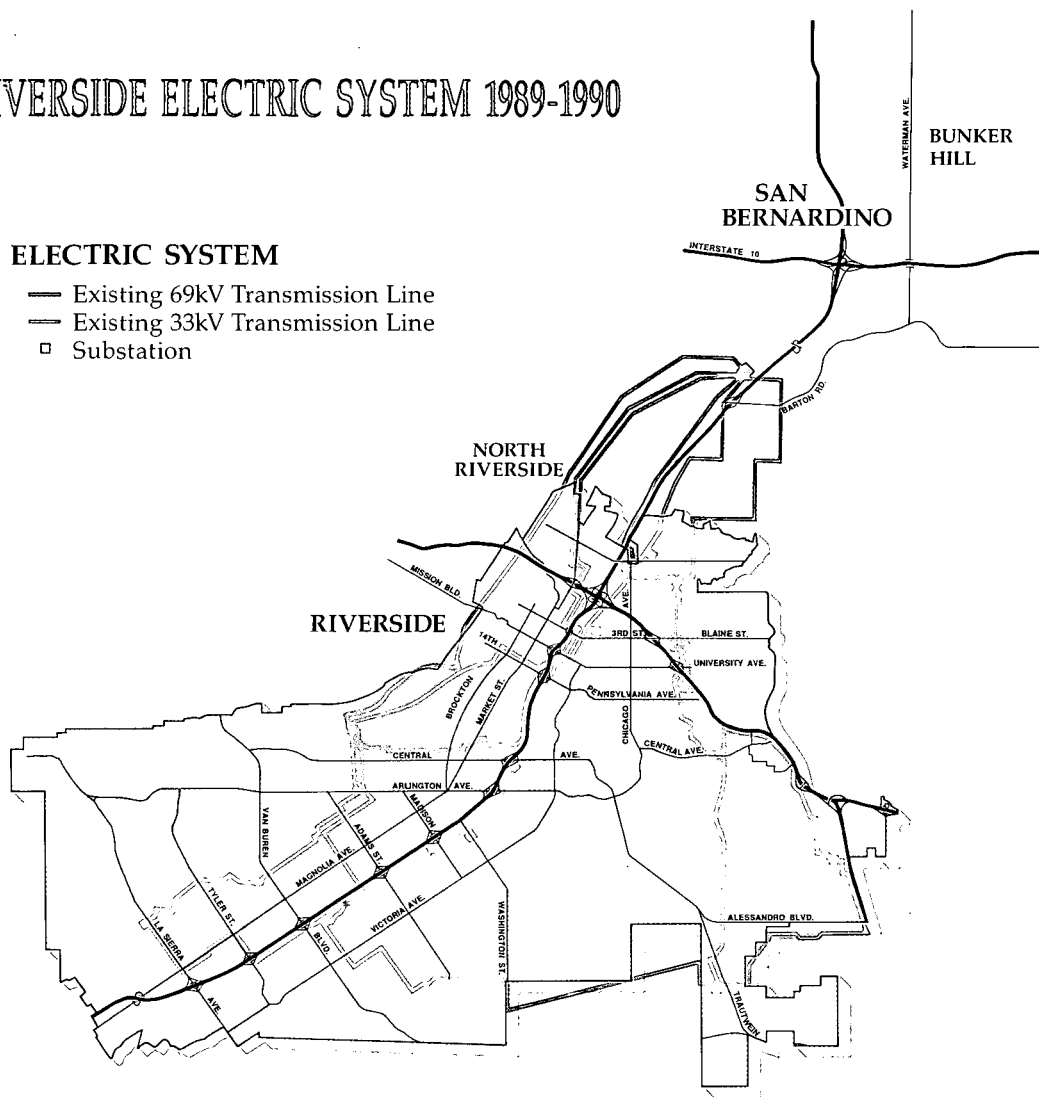


*A Utility worker pulls the last underground line up to a riser pole connecting an underground service to the Springs Substation.*

# RIVERSIDE ELECTRIC SYSTEM 1989-1990

## ELECTRIC SYSTEM

- Existing 69kV Transmission Line
- Existing 33kV Transmission Line
- Substation

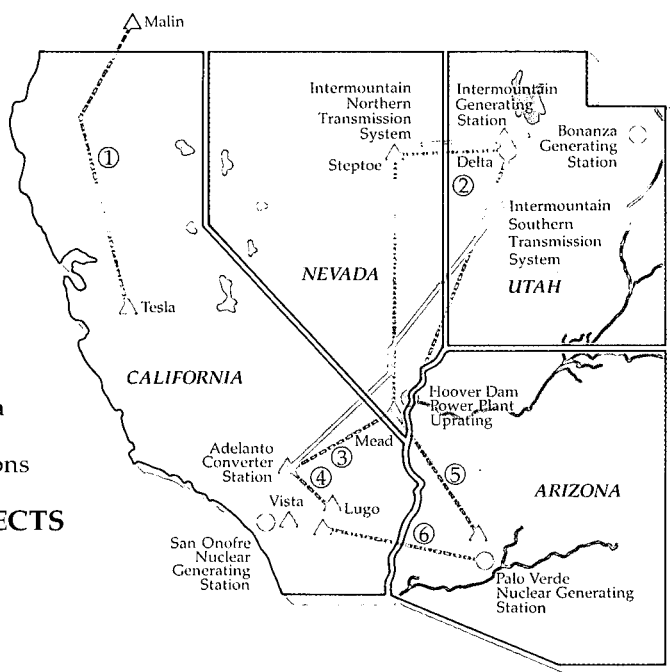


## RESOURCES

- Firm Generating Resources
- Transmission Lines
- Proposed Transmission Lines
- △ Transmission Substations

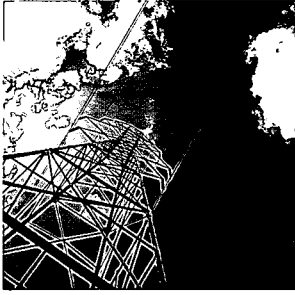
## TRANSMISSION PROJECTS

- ① California-Oregon
- ② Utah-Nevada
- ③ Mead-Adelanto
- ④ Adelanto-Lugo
- ⑤ Mead-Phoenix
- ⑥ Palo Verde-Devers



PUBLIC UTILITIES

RIVERSIDE



*Transmission projects are gateways to new sources of economy power in the northwest, southwest, and Canada.*

Similarly, the Mead-Phoenix project will not only be a firm route for electricity from the Palo Verde Nuclear Generating Station but will open up the balance of the resources of the Southwest. Mead-Adelanto, scheduled for 1995 completion, will bring all of these sources to Riverside and the other 12 California cities who are building the project. Riverside has already participated in the financing of these projects through the Southern California Public Power Authority which has issued \$650 million in revenue bonds.

## Safeguarding our Savings

Transmission projects are gateways which go beyond assisting us to bring our own power home. They open up access to the resources of other regions so we may maximize our purchases of economy power. Last year 15% of Riverside's electricity was bought in the energy marketplace as economy power.

Last year, through participation in the Western Systems Power Pool, the City saved over \$1.25 million purchasing economy energy rather than energy supplied by SCE. But the cost of paying for transmitting this power can substantially reduce savings and, in some cases, those who own the transmission systems can use limited capacity to refuse to provide access to some markets altogether. By having its own paths, Riverside Public Utilities can retain the savings generated by economy power and open new potential markets for the future.

The activities of Riverside's load schedulers in the energy marketplace have allowed Riverside to become a regional leader. Riverside serves as the agent for the cities of Azusa, Banning, and Colton, saving more than \$5.2 million annually for those cities with economy purchases. Riverside Public Utilities received more than \$240,000 for providing these services. These scheduling personnel also sell excess power from resources Riverside owns, resulting in \$295,000 in net revenues.

Riverside Public Utilities understands that safeguarding savings goes beyond the buying and selling of electricity. Safeguarding savings means managing consumption and thereby controlling costs for new power plants.

While Riverside Public Utilities has a variety of residential programs which teach conservation and encourage shifting use of electricity to off-peak hours, these programs have a limited ability to offset increases in demands caused by growth in the community. Purchases, like the agreements with CDWR and Bonneville can, however, make highly significant contributions to controlling the need for new facilities.

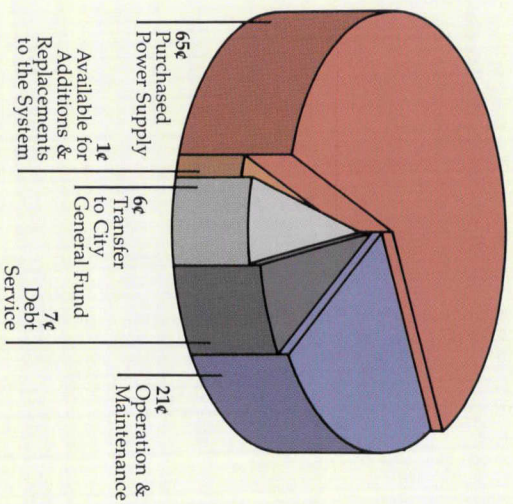
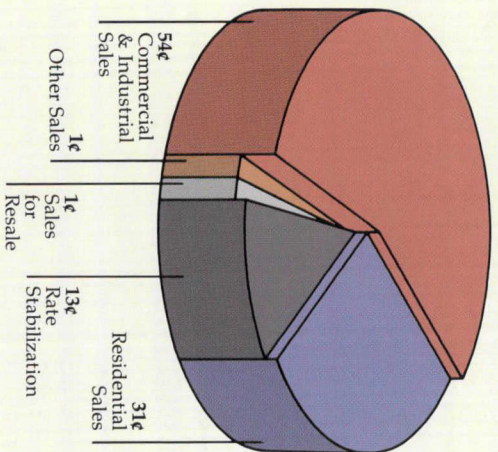
The 1990 Power Supply Plan and Load Forecast goes further still in providing for load management through the development of a demand-side management policy which focuses on such technologies as Thermal Energy Storage (TES) by large industrial users.

TES systems which store energy during off-peak hours for use later in the day represent optimum opportunities to control peak loads. In the near future, the University of California, Riverside (UCR) working with Riverside Public Utilities, is expected to implement a TES system that is expected to reduce peak loads by four megawatts. TES projects of this magnitude



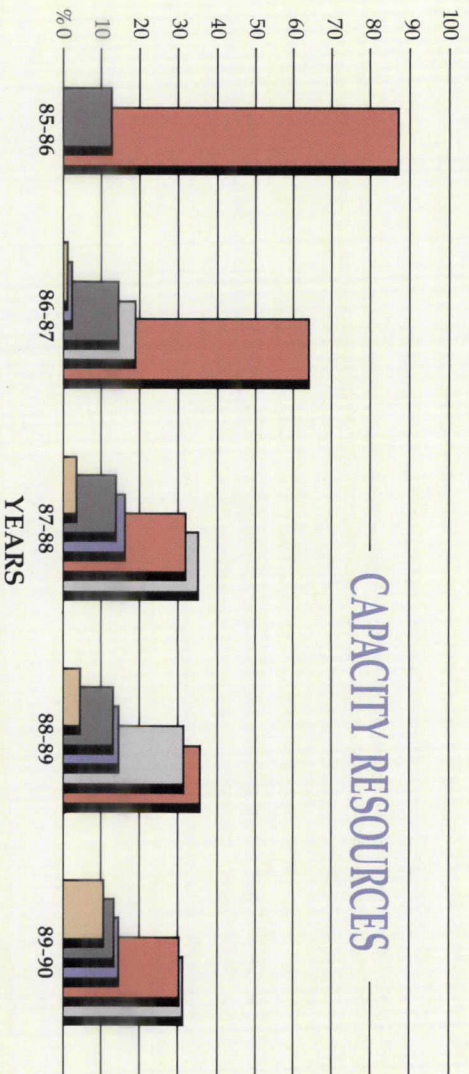
# THE 1989-1990 ELECTRIC DOLLAR

## Source of Revenue

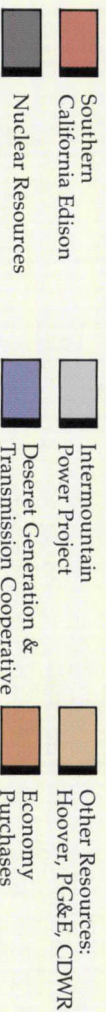
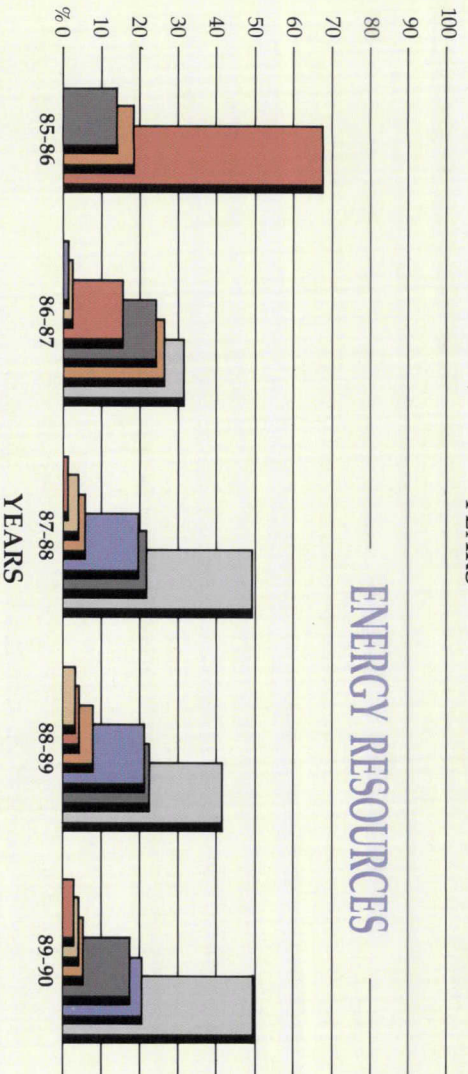


## Distribution of Revenue

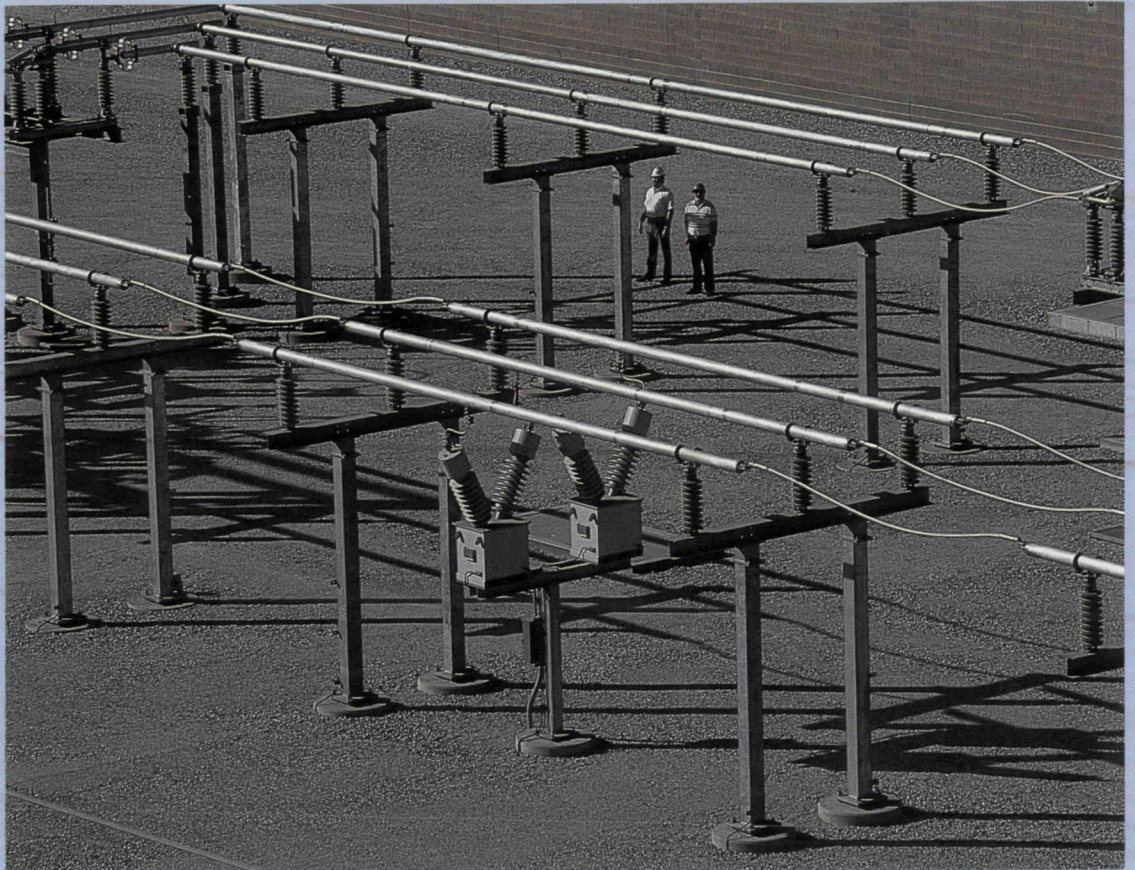
### CAPACITY RESOURCES



### ENERGY RESOURCES








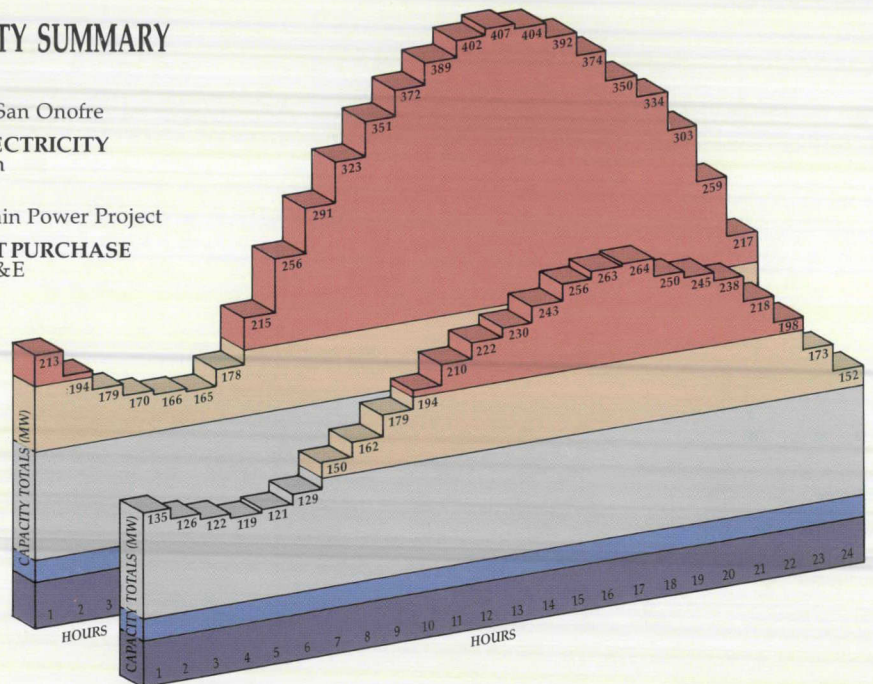




*Springs Substation, completed in 1990, receives a final inspection before going on line.*

# PEAK CAPACITY SUMMARY

-  **NUCLEAR**  
Palo Verde, San Onofre
-  **HYDROELECTRICITY**  
Hoover Dam
-  **COAL**  
Intermountain Power Project
-  **CONTRACT PURCHASE**  
Deseret, PG&E
-  **EDISON**



PEAK CAPACITY SUMMARY



will allow Riverside Public Utilities to respond more effectively to customer concerns about air quality, global warming, and nonrenewable resources by helping to reduce the need for new power plants.

## Electric System Services

Riverside Public Utilities experienced a new record peak of 407 megawatts on June 27, 1990, enough electricity to light more than four million 100 watt light bulbs simultaneously.

Riverside Public Utilities' new Orangecrest substation was brought on line 52 days before the peak and helped the Utility to serve this new record demand without delivery problems or overloads. This substation, and its sister substation, Springs, completed later in the summer of 1990, are part of a \$107 million six year Capital Improvement Program (CIP) designed to fulfill crucial future needs. The CIP provides for eight substation expansions, one substation upgrade, and new transmission and distribution facilities.

As well as contributing to Riverside Public Utilities' reliability as a service provider, Orangecrest and Springs also help the Utility meet its goals of environmental sensitivity in a meaningful and practical way. Both stations have low visual profiles minimizing their effect on the neighborhoods.

Another opportunity for Riverside Public Utilities to be a full partner in the future of the community is the expansion of UCR. By working together to plan for UCR's expanded needs as it grows from 8,000 to 18,000 students, Riverside Public Utilities has been able to develop plans to meet this expansion and save the City more than \$5 million and at the same time, UCR has been able to save \$2 million in facility costs.

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## Electrical System Growth

New Residential Services	2,415
New Commercial/Industrial Services	379
New Overhead Distribution Lines	5.62 miles
New Underground Distribution Lines	26.00 miles
New Service Areas Acquired	2.50 sq. miles
Conversion of 4 kv to 12 kv Lines	4.25 miles





Approximately 200 vehicles are housed at the Corporation Yard, soon to be replaced with a new larger facility.

Final completion of the University City Booster Station will assist the Utility to better serve a growing community.



# A WORLD OF WATER

It is 97% of our bodies. Each day we use it to cook, to work, to live. There is no life without it.

Now in the fifth year of the current drought, Riverside's good fortune in owning 90% of its water requirements becomes more apparent daily.

That resource, groundwater drawn from the Bunker Hill Basin in San Bernardino and the North Riverside Basin, has given Riverside a unique opportunity to develop a thorough understanding of how the natural world and the world of human activity are entwined and interdependent. We understand that we cannot live without water and we have learned that our water supply can only survive if we manage it with water quality and water conservation as the center of our strategy.

Each year 10 to 15 inches of rain or snow runs off the mountains. It percolates through a natural filter of sand and gravel, creating a water resource of very high quality. Riverside's 44 operating domestic wells deliver that resource to your taps through the distribution system.

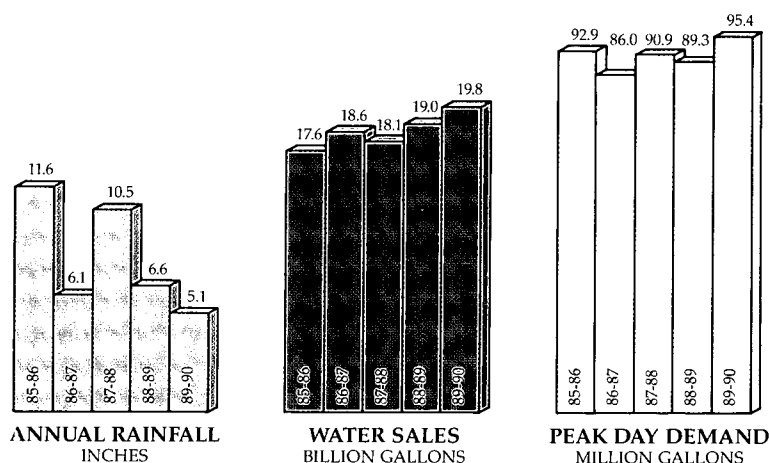
Human livelihoods and activities can threaten that resource. Agricultural runoff can carry the residues of fertilizers and pesticides down to the groundwater. Toxic substances can seep through the soil.

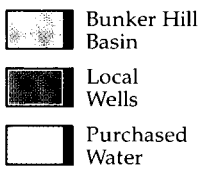
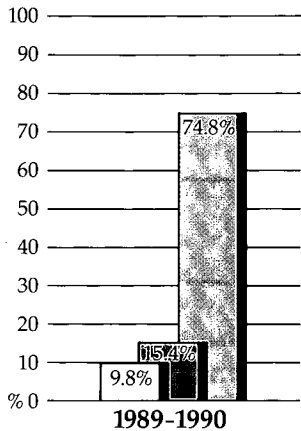
Currently, Riverside Public Utilities water meets or exceeds all federal and state standards for water quality. Riverside Public Utilities considers safeguarding the quality of its groundwater essential to its overall strategy to keep Riverside independent of reliance on imported supplies.

Each year more than 4,000 samples are taken and tested for bacteria and chemicals. And Riverside Public Utilities has initiated basin wide cooperation among groundwater users to protect the supply.

A priority has been coping with the threat of contamination posed by chemicals at Norton Air Force Base. Norton—an EPA Superfund site—is examining alternatives and Riverside Public Utilities is a regional leader in ensuring appropriate action on decontamination and treatment options.

## WATER STATISTICS





## A Secure Supply

Security of supply does not end with vigilance over water quality. In 1989-90, Riverside imported 9.8% of its water supply. This water was used to meet peak demands, making Riverside Public Utilities a part of California's larger water system, a system where 75% of the precipitation falls in the north and 75% of the demand is in the populous semiarid south. And while politics and drought are decreasing the reliability of imported supplies, regional growth dictates that Riverside's demands for water may increase as much as 20% over the next ten years.

Planning for the future includes conservation.

In 1989-90, Riverside Public Utilities embarked on a campaign to encourage voluntary conservation through a series of activities including bill stuffers, radio and newspaper ads, and television public service announcements. These activities significantly increased customer requests for additional water conservation information during 1989-90.

But, effective water management is more than refraining from use. Programs for water reuse, reclamation, and the use of nonpotable water for irrigation are being developed. Groundwater supplies which have high salt content or undesirable chemical levels which can be treated and made potable are being evaluated.

Riverside also has plans to increase storage capacity by building new reservoirs which will allow water, available during lower use periods, to be stored for peak use. These reservoirs will also provide emergency capacity enabling Riverside Public Utilities to supply its customers with water during natural disasters such as earthquakes.

## Water System Services

Riverside Public Utilities began construction of two new booster stations during 1989-90, University City and Tilden. The Utility also completed construction of the 36" Van Buren pipeline which delivers water to the Van Buren and Mockingbird Canyon reservoirs.

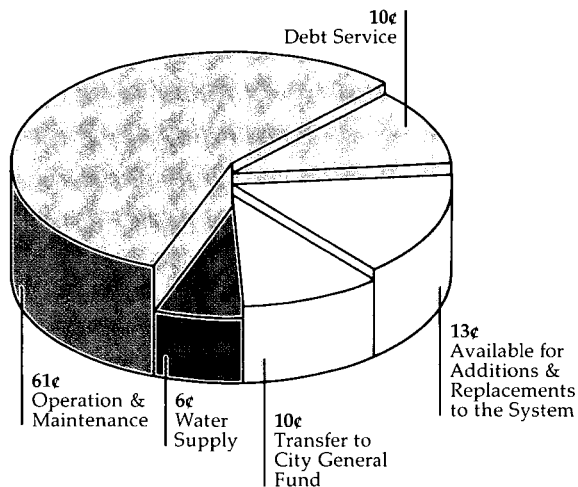
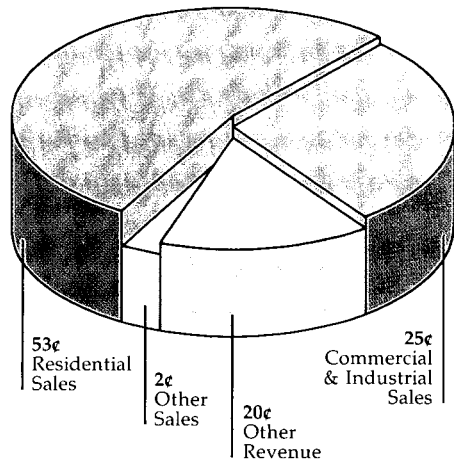
The Water Utility's Capital Improvement Program reflects the need to be sensitive to local environmental and neighborhood concerns. Eight of the new reservoirs which form a part of the \$79 million six year plan will be constructed underground. As a result, this new construction will not disturb sensitive views and neighborhood aesthetic qualities.

## Water System Growth

New Water Services	859
New Water Main and Appurtenances	14 miles
Well Production	390.1 billion gallons
New Booster Station Capacity	576,000 gallons/day

# THE 1989-1990 WATER DOLLAR

## Source of Revenue

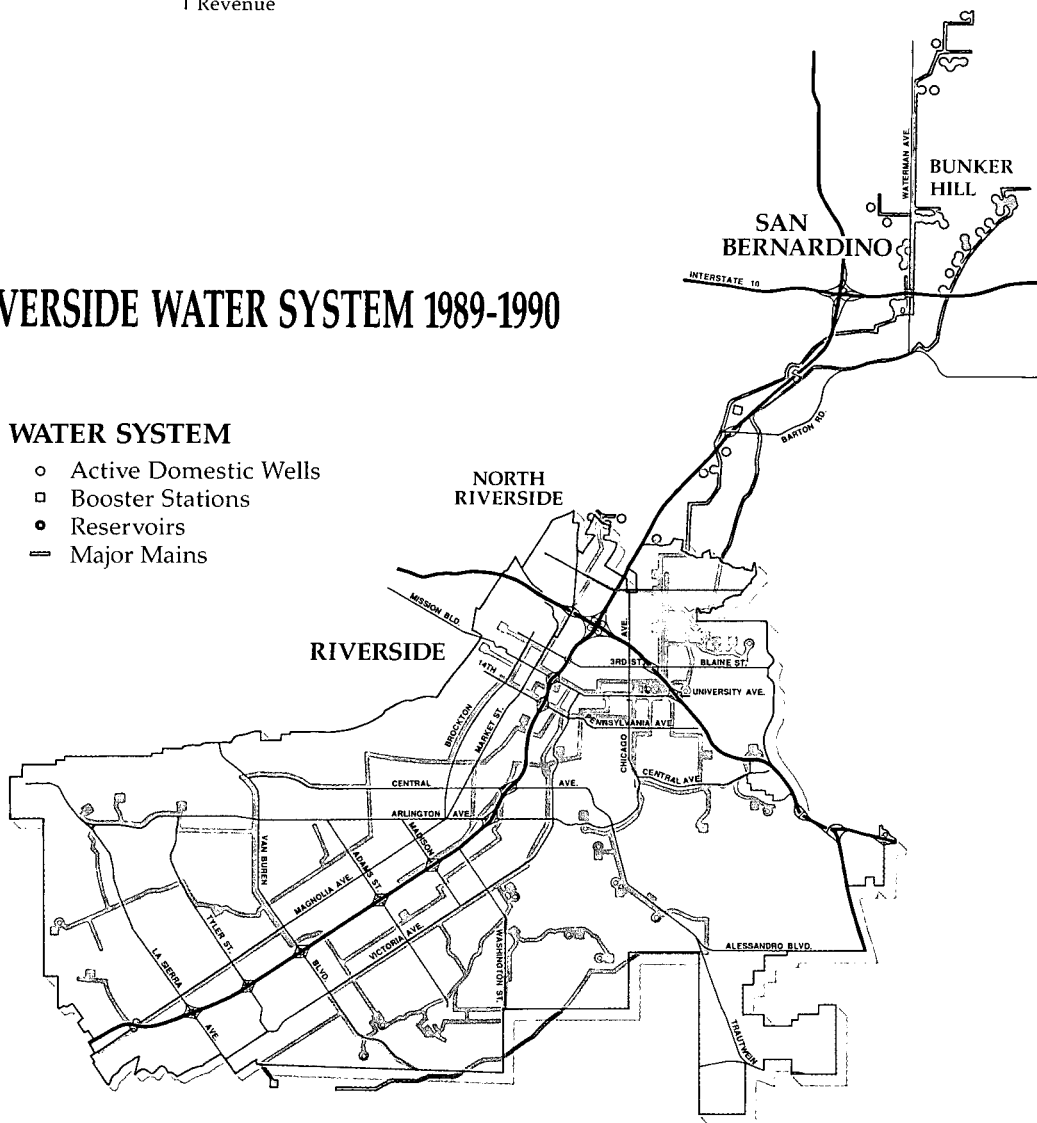


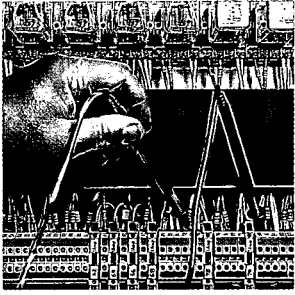
## Distribution of Revenue

## RIVERSIDE WATER SYSTEM 1989-1990

### WATER SYSTEM

- Active Domestic Wells
- Booster Stations
- Reservoirs
- Major Mains





*Here, the controls of the new University City Booster Station are tested before the water pumping facility is brought on line.*

*Public utilities have evolved from being providers of product to being purveyors of service. Customer service activities form an important component of Utilities operations.*



## IN THE SPIRIT OF SERVICE

The role of the publicly-owned utility in our world has changed. With the arrival of the 1990s, the transition covering more than a decade is complete. Utilities have evolved from providers of product to purveyors of service. And the question, "How do we fit into our world?" is answered ever more clearly.

For utilities, the answer is that we must provide a complete service to our customers, a service which is reliable at a reasonable cost—but also a service which educates, informs, is accessible, is responsible, and is responsive. These are the goals of the 90s.

### Customer Service

Customer service activities for 1989-90 were dominated by the development and implementation of a new Customer Information and Billing System. This system involved four City Departments and included new hardware, new software, and a new bill format designed to improve accessibility to both billing and customer account information.

Implemented in July 1990, the new system featured a single larger format bill which allows all users to be billed on a single system. New software allows the tracking of customer account information and billing information so that this information is easily accessible in answering customer's inquiries.

In the implementation phase the new billing system operated without transitional problems for 75% of customers from the beginning of the first billing cycle. For a portion of Riverside's customers, billing irregularities occurred and were resolved on an ongoing basis.

Customer service personnel demonstrated both spirit and stamina during the implementation phase, fielding more than 15,000 calls during this period. Their patience and perseverance contributed greatly to the success of the program.

### To Inform and to Teach

Riverside Public Utilities Education and Information program experienced a 264% increase in inquiries for program information in 1989-90, answering more than 8,300 requests.

Directions established by the newly formed Public Affairs Committee of the Board of Public Utilities resulted in the City's first fully coordinated water conservation campaign. These activities—water awareness events, brochures, bill stuffers, radio and newspaper advertising, and television public service announcements, increased overall program and information requests more than 20 fold over the previous year.

Energy related information was also widely distributed, with requests for additional information and program applications increasing 213% over 1988-89. More than 233 customers received rebates under COOL CASH, a program which provides rebates for upgrading existing cooling equipment with energy efficient central air conditioners, heat pumps, and evaporative coolers.

In 1989-90, swimming pool owners were again offered an opportunity to participate in a program which offers a \$36 annual credit to pool owners who operate their pool pumps



*As these balloons state, "Riverside is Water Aware." Requests for information and program participation have increased 20 fold with the initiation of a coordinated water awareness campaign.*



*High winds and falling limbs are constant hazards. Repair crews make repairs with restoration of service as their top priority.*

during off-peak hours. During 1989-90 the level of participation increased by 534 customers.

Energy and water conservation information were summarized in a new booklet to be distributed during the coming year to new Riverside Public Utilities customers. This booklet, entitled "Welcome," is representative of the comprehensive approach to service that is the Utilities' goal for the 90s. Not only does it provide important service information, it educates customers about water and electricity management and offers them opportunities to participate in city-wide efforts in these areas.

In 1990-91, Riverside Public Utilities will expand the program to include outdoor electrical safety and implementation strategies for demand side management programs. Water conservation program activities will continue and new programs will be developed.

Riverside Public Utilities School Education Program reaches students in more than 100 classrooms with energy and water education programs each year. During the 1989-90 fiscal year more than 1,200 fifth graders participated in an annual Water is Life poster contest. This multi-agency program resulted in a poster featuring the top drawings. Participating sponsors included Riverside Public Utilities, Elsinore Valley Municipal Water District, Rancho California Water District, and Western Municipal Water District.

## Responsibility and Responsiveness

Riverside Public Utilities continued its outreach to seniors and the disabled through the WE CARE/HHEARTS program. This year the program was expanded to include water awareness as well as energy efficiency. In 1989-90, specific bill stuffers on these programs were distributed to customers and requests for information and in-home energy and water use audits doubled.

More than 980 visits were made by the part-time senior citizen employees who conduct the audit, give conservation advice and install weather stripping, water heater blankets, low flow shower heads, and toilet kits.

Responsibility and responsiveness also led to the development of a new public service program by Riverside Public Utilities in 1989-90. SHARE is a joint program of Riverside Public Utilities and the County of Riverside Department of Community Action.

SHARE provides the means for customers to make monthly donations on their utility bills. These monies are set aside to assist low income customers who need temporary assistance with utility deposits and utility bill payments. Program applications and disbursements are administered by the Department of Community Action.

SHARE was implemented in November 1989 and has raised more than \$14,700 in its first twelve months of operation.

## Employee Recognition

The staff at Riverside Public Utilities is a team of talented and committed professionals who serve their community in the highest tradition of public utilities. Each year, Riverside Public Utilities takes the opportunity to recognize employees who reach the 35 year service benchmark in their careers.

In 1989-90, Carl R. Danzek completed 35 years of service at Riverside Public Utilities. Before coming to the City, Carl graduated from Ord High School, Nebraska. Upon graduation, he attended the Commercial Business Extension College of Omaha, majoring in Accounting and Business. He also served in the United States Marine Corps for two years. After completing military service, Carl applied to the City to be a Meter Reader and on March 6, 1956, became a City employee.

Since beginning his employment with the City, Carl has worked his way through the ranks of the Public Utilities Commercial Division. His tenure with the City has involved meter reading, collections, routing of accounts, and his current position of supervising Meter Reader and Field Service employees for a number of years.

Carl has placed his employment with the City at the top of his priorities. He has been a dedicated, responsible, and loyal employee making numerous contributions to the Utilities Department. He is a true team player who is highly valued by his fellow employees.



Carl R. Danzek





*On Center Street, Riverside Public Utilities drills a new domestic water well. Over 90% of the city's water supply comes from wells which are publicly owned through Riverside Public Utilities.*

*Here pipe is loaded for a project in a development in Riverside.*



## FINANCIAL REVIEW

Riverside Public Utilities financial planning is evidenced by the stable rates enjoyed by its ratepayers. Electric rates have not increased since 1984, while water rates were increased for the first time in seven years in November 1990. The water rate increase of 5.7% was implemented to help support a strong capital program and maintain adequate coverage ratios. Electric and water rates, which increased at levels significantly less than the average increase in the Consumer Price Index, have been accompanied by consistently strong financial statements. The financial strength of Riverside Public Utilities is reflected in the rating of its long term revenue bonds. Riverside Public Utilities' electric revenue bonds are rated Aa by Moody's and A+ by Standard and Poor's. The Water Utility's revenue bonds are rated A1 by Moody's and A+ by Standard and Poor's.

Riverside Public Utilities is a municipal corporation, and as part of the City of Riverside has no stockholders, pays no dividends and does not distribute earnings. Riverside Public Utilities pays for the costs of operation and debt service through revenues from our customers. Approximately 50% of annual capital expenditures are made from revenues, with the remaining capital facilities financed via electric and water revenue bonds and contributions in aid of construction.

In June of 1987, Riverside's Board of Public Utilities implemented a Rate Stabilization Account in the Electric Utility. This account was initially funded with refunds from Southern California Edison (SCE), sales of pre-release energy from San Onofre Nuclear Generating Station Units 2 & 3, and net revenues resulting from lower than anticipated power expenses. In addition, the difference between revenues and expenses flows through the Rate Stabilization Account. Careful management of the Rate Stabilization Account and control of expenses has positioned the Electric Utility to reduce electric bills to our residential and small commercial customers by 8%, beginning July 1, 1989. Over \$7.1 million was refunded to our customers during the 1989/90 fiscal year.

Riverside Public Utilities' service area

continued to experience strong growth with electric customers increasing by 3.8% and water customers up by 2.3%. Sales revenues in the Electric Utility decreased from \$130.6 million to \$127.1 million, or 2.7%. This decrease in sales revenues reflected the \$7.1 million reduction in electric bills to Riverside's residential and commercial customers through the refund credit. Expenses in the Electric Utility increased from \$109.9 million to \$131.4 million. The large increase in operating expenses reflects the full cost of operation of both units of the Intermountain Power Project. In fiscal year 1988/89, \$20.4 million was distributed from the project to Riverside, as Riverside's share of excess construction funds. These funds were included in the Rate Stabilization Account. Funds from the Rate Stabilization Account were used in 1989/90 to offset the difference between operating revenues and operating expenses, and lower electric bills in the face of rising costs.

Sales in the Water Utility increased from \$16.4 million to \$16.8 million, or 2.4%. The Water Utility experienced a slight decrease in operating costs due to lower pumping costs.

Capital expenditures in the Electric Utility continued at a brisk pace. Construction on two new substations was completed by the Electric Utility, along with a large number of transmission, distribution, and service additions. These expenditures totaled \$20.0 million in 1989/90, up over 40% from 1988/89.

In the Water Utility, capital outlays for transmission mains and distribution facilities totaled \$6.0 million, down about 35% from last year. Capital expenditures in future years are expected to increase significantly above these levels as reservoirs and transmission projects designed in 1989/90 come to fruition in the next several years.

In addition to the costs of operation, Riverside Public Utilities pays for all services rendered by other City departments and transfers up to 11.5% of its prior year revenues to the City's General Fund. In fiscal year 1989/90, the Electric Utility transferred \$9.7 million to the General Fund, while the Water Utility transferred \$1.9 million.

# City of Riverside Electric Utility

## ELECTRIC UTILITY SELECTED STATISTICS

### POWER SUPPLY (mWh)

	<u>1989/90</u>	<u>1988/89</u>	<u>1987/88</u>	<u>1986/87</u>	<u>1985/86</u>
San Onofre	239,500	272,500	237,100	263,700	168,400
Intermountain Power	795,400	716,100	641,300	396,800	
Palo Verde	27,800	58,300	51,500	42,300	
Hoover	24,100	16,800	38,400		
Firm Contracts	314,000	229,700	292,300	156,100	7,900
Non-Firm Contracts	77,600	112,000	63,400	202,600	228,200
Southern California Edison	<u>47,200</u>	<u>54,400</u>	<u>20,800</u>	<u>196,700</u>	<u>803,400</u>
Total	1,525,600	1,459,800	1,344,800	1,258,200	1,207,900
System Peak (mW)	407.0	367.2	317.6	292.2	323.4

### ELECTRIC USE

#### Average Number of Customers

Residential	78,795	76,087	74,195	72,197	68,579
Commercial	8,083	7,620	7,169	6,677	6,282
Industrial	186	196	193	330	301
Other	<u>146</u>	<u>148</u>	<u>148</u>	<u>150</u>	<u>252</u>

Total	87,210	84,051	81,705	79,354	75,414
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#### Millions of Kilowatt-hour Sales

Residential	516	503	452	431	421
Commercial	356	333	298	279	265
Industrial	527	534	480	439	449
Other	<u>41</u>	<u>43</u>	<u>41</u>	<u>42</u>	<u>38</u>

Total	1,440	1,413	1,271	1,191	1,173
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#### Average Annual kWh per

Residential Customer	6,549	6,611	6,092	5,970	6,139
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#### Average Price (cents/kWh)

	9.10	9.04	9.28	9.27	9.00
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#### Debt as a percent of Net Plant\*

	78.8%	85.4%	89.1%	93.6%	96.7%
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#### Operating Income as a percent of Operating Revenues

	10.4%	8.2%	13.5%	19.6%	16.6%
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#### Employees

	264	259	243	225	190
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\*Net plant includes Nuclear Fuel Inventory and Work in Progress.

## BALANCE SHEET

City of  
Riverside  
Electric Utility

	June 30	
	1990	1989
	(In Thousands)	
<b>Assets</b>		
Utility plant:		
Production	\$113,295	\$111,694
Transmission	8,402	8,206
Distribution	98,794	90,680
General	5,747	4,871
	<u>226,238</u>	<u>215,451</u>
Less accumulated depreciation	<u>(68,287)</u>	<u>(60,903)</u>
	157,951	154,548
Construction in progress	19,203	10,895
Nuclear fuel, at amortized cost	6,097	7,122
Total utility plant	<u>183,251</u>	<u>172,565</u>
Restricted assets	<u>32,508</u>	<u>30,824</u>
 Current assets:		
Cash and investments	22,599	49,912
Accounts receivable, net	15,772	15,674
Accrued interest receivable	1,171	1,353
Prepaid expenses	4,021	2,964
Nuclear materials inventory	344	386
Total current assets	<u>43,907</u>	<u>70,289</u>
Other assets:		
Unamortized project costs	<u>184</u>	<u>427</u>
Total assets	<u>\$259,850</u>	<u>\$274,105</u>

The notes to the financial statements are an integral part of this statement.

**City of  
Riverside  
Electric Utility**

**BALANCE SHEET**

	<b>June 30</b>	
	<b>1990</b>	<b>1989</b>
	(In Thousands)	
<b>Capitalization and liabilities</b>		
Equity:		
Retained earnings		
Reserved	\$ 17,813	\$ 17,810
Unreserved	10,000	10,000
Total retained earnings	27,813	27,810
Contributed capital	24,460	19,692
Total equity	52,273	47,502
Long-term obligations, less current portion	141,576	144,665
Total capitalization	193,849	192,167
Non-current liabilities:		
Decommissioning liability	4,696	3,014
Rate stabilization account	13,898	40,428
Total non-current liabilities	18,594	43,442
Current liabilities payable from restricted assets:		
Accrued interest payable	2,570	2,628
Current portion of long-term obligations	3,110	2,959
Total current liabilities payable from restricted assets	5,680	5,587
Current liabilities:		
Accounts payable	9,953	8,643
Accrued liabilities	3,901	3,426
Rate stabilization account	27,873	20,840
Total current liabilities	41,727	32,909
Commitments and contingencies		
Total capitalization and liabilities	\$259,850	\$274,105

The notes to the financial statements are an integral part of this statement.

# City of Riverside Electric Utility

## STATEMENT OF OPERATIONS AND RETAINED EARNINGS

For the Fiscal Years Ended

June 30,

	1990	1989
	(In Thousands)	
<b>Operating revenues:</b>		
Residential	\$ 44,670	\$ 46,836
Commercial and industrial	79,276	80,190
Sales to other utilities	2,004	2,344
Provision for rate stabilization	19,497	(10,901)
Other	1,141	1,243
Total operating revenues	<u>146,588</u>	<u>119,712</u>
<b>Operating expenses:</b>		
Purchased power	98,405	78,699
Other	20,304	18,843
Maintenance	4,421	4,516
Depreciation and amortization	8,236	7,804
Total operating expenses	<u>131,366</u>	<u>109,862</u>
Operating income	<u>15,222</u>	<u>9,850</u>
<b>Non-operating revenues (expenses):</b>		
Interest income	4,700	5,938
Interest expense	(10,486)	(10,727)
Loss on retirement of utility plant	(41)	(97)
Other	260	1,598
Non-operating revenues (expenses)	<u>(5,567)</u>	<u>(3,288)</u>
Income before operating transfers	<u>9,655</u>	<u>6,562</u>
<b>Operating transfer out:</b>		
General fund contribution	<u>(9,652)</u>	<u>(6,581)</u>
Net income (loss)	<u>3</u>	<u>(19)</u>
<b>Retained earnings, July 1</b>	<u>27,810</u>	<u>27,829</u>
<b>Retained earnings, June 30</b>	<u>\$ 27,813</u>	<u>\$ 27,810</u>

The notes to the financial statements are an integral part of this statement.

# City of Riverside Electric Utility

## STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Fiscal Years Ended

June 30

1990 1989

(In Thousands)

**Sources of working capital:**

**Operations:**

Net income (loss)	\$ 3	(\$ 19)
Expenses not requiring current outlay of financial resources:		
Depreciation and amortization	8,236	7,804
Loss on retirement of utility plant	41	97
Amortization of nuclear fuel	1,746	2,276
Provision for decommissioning liability	1,682	2,247
Decrease in unamortized project costs	243	212
Working capital provided by operations	11,951	12,617

Increase in contributed capital	4,768	1,318
Increase in current liabilities payable from restricted assets	93	156
Proceeds from sale of fixed assets	62	
Total sources of working capital	<u>16,874</u>	<u>14,091</u>

**Uses of working capital:**

Acquisition of utility plant	20,050	14,164
Reduction of long-term obligations	3,089	2,232
Purchase of nuclear fuel	721	662
Increase in restricted assets	1,684	2,227
Decrease in rate stabilization account	26,530	4,953
Total uses of working capital	<u>52,074</u>	<u>24,238</u>
Net decrease in working capital	<u>(\$35,200)</u>	<u>(\$10,147)</u>

**Component elements of net increase (decrease) in working capital:**

Cash and investments	(\$27,313)	\$ 5,316
Receivables, net	(84)	(2,526)
Prepaid expenses	1,057	1,615
Nuclear materials inventory	(42)	(69)
Accounts payable	(1,310)	1,814
Accrued liabilities	(475)	(443)
Rate stabilization account	(7,033)	(15,854)
Net decrease in working capital	<u>(\$35,200)</u>	<u>(\$10,147)</u>

The notes to the financial statements are an integral part of this statement.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Electric Utility exists under, and by virtue of, the City Charter enacted in 1883, and is a component unit of the City of Riverside (City). The Electric Utility is responsible for the generation, transmission and distribution of electric power for sale in the City.

### Basis of Accounting

The Financial Statements of the Electric Utility are presented in conformity with generally accepted accounting principles as applicable to governments and substantially in conformity with accounting principles prescribed by the Federal Energy Regulatory Commission, except for the method of accounting for contributed capital described below. The Electric Utility is not subject to the regulations of the Federal Energy Regulatory Commission.

### Utility Plant and Depreciation

All utility plant is valued at historical cost, or estimated historical cost, if actual historical cost is not available. Contributed plant is valued at its estimated fair market value on the date contributed. Cost includes labor, materials, allocated indirect charges such as engineering, supervision, construction and transportation equipment, retirement plan contributions and other fringe benefits, and certain administrative and general expenses. The cost of relatively minor replacements are included in maintenance expense.

Depreciation is provided over the estimated useful lives of the related assets using the straight line method. The estimated useful lives are as follows:

Production Plant .....	30 years
Transmission and	
Distribution Plant .....	20-50 years
Equipment .....	5-15 years

### Nuclear Fuel

The Electric Utility amortizes the cost of nuclear fuel to expense using the "as burned" method. In accordance with the Nuclear Waste Disposal Act of 1982, the Electric Utility is charged one mill per kilowatt-hour of energy that is generated by the City's share of San Onofre Nuclear Generating Station's Units 2 and 3 to provide for estimated future storage and disposal of spent fuel. The Electric Utility pays this fee to its operating agent, Southern California Edison Company, on a quarterly basis.

### Nuclear Decommissioning

Federal regulations require the Electric Utility to provide for the future decommissioning of its ownership share of the nuclear units at San Onofre. A reserve fund has been established in the Electric Utility for the decommissioning of the nuclear power plant and restoration of the beach front at the San Onofre Nuclear Generating Station. The Electric Utility funds the reserve and recognizes expense over the useful life of the generating plant. Decommissioning should

commence in the year 2015. The Electric Utility has set aside \$4,696,000 in cash and investments as its estimated share of the decommissioning cost. Based on a cost estimate completed by Southern California Edison, the Utility plans to set aside approximately \$1,380,000 per year to fund this liability.

### Cash and Investments

The City Treasurer deposits idle funds in accordance with Section 53601 of the California Government Code and the City's general investment policy. In accordance with the City's policy, the Electric Utility's cash and investments are invested in a pool managed by the Treasurer of the City. The Electric Utility does not own specific, identifiable investments of the pool. At June 30, 1990, cost approximated the market value of the Electric Utility's share of pooled cash and investments. The bank balance was covered by federal depository insurance or by collateral held in the pledging bank's trust department for the benefit of the City. At June 30, 1990, the City has invested principally in medium term and floating rate notes, certificates of deposit and U.S. Treasury obligations which were insured, registered or collateralized with securities held by the City or its agent in the City's name. Investments held at June 30, 1990, under Repurchase and Reverse Repurchase Agreements and Investments in Deferred Compensation Plans were uninsured and unregistered, with securities held by the counter-party or by its trust department or agent but not in the City's name. Disclosure of the legal and contractual provisions of the City's investment policy and carrying amounts by type of investment categorized by credit risk may be found in the footnotes to the City's "Comprehensive Annual Financial Report" for the fiscal year ended June 30, 1990.

### Revenue Recognition

The Electric Utility uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Electric Utility customers are billed monthly. Unbilled electric service charges are recorded at year end and are included in accounts receivable. Unbilled accounts receivable were \$4,631,000 at June 30, 1989 and \$4,688,000 at June 30, 1990. An allowance for doubtful accounts is maintained for utility and miscellaneous accounts receivable. The balance in this account is adjusted at fiscal year end to approximate the amount anticipated to be uncollectible. The balance in the allowance account was \$854,000 at June 30, 1989 and \$945,000 at June 30, 1990. During the fiscal year, accounts determined to be uncollectible are recorded as bad debt expense.

### Inventories

The City maintains a separate Central Stores inventory. The Electric Utility expenses items as they are drawn out of Central Stores. As such, the Electric Utility does not include inventories on its financial statements.

# NOTES TO FINANCIAL STATEMENTS

Fiscal Year  
Ended  
June 30, 1990

City of  
Riverside

Electric Utility



### **Contributed Capital**

Under the provisions of the City Charter, amounts received from customers and others for constructing utility plant are combined with retained earnings to represent equity. Accordingly, contributed capital is shown in the accompanying balance sheet as an equity account and is not offset against utility plant. Depreciation provided for the related utility plant is expensed.

### **Compensated Absences**

The accompanying financial statements include accruals for salaries, fringe benefits and compensated absences due employees at June 30, 1990. The Electric Utility treats compensated absences due employees as a current liability.

Employees receive ten to twenty-five vacation days a year based upon length of service. A maximum of two years vacation can be accumulated and unused vacation may be redeemed for cash upon separation.

Employees receive one day of sick leave for each month of employment, with unlimited accumulation. Employees who terminate for reasons other than retirement or death lose all accumulated sick leave. Upon retirement or death, a percentage of unused sick leave is paid to certain employees or their estates in a lump sum based on longevity. Employees hired in the general bargaining unit after July 1, 1979 cannot redeem unused sick leave. A liability is recognized for the portion of accumulated sick leave benefits which is estimated will be settled upon retirement or death.

### **Self-Insurance Program**

The Electric Utility participates in a self-insurance program for workers' compensation and general liability coverage which is administered by the City. The Electric Utility pays an amount to the City representing an estimate of amounts to be paid for reported claims incurred and unreported claims based upon past experience, modified for current trends and information.

While the ultimate losses incurred through June 30, 1990 are dependent upon future developments, the Utility's management believes that amounts paid are sufficient to cover such losses.

### **Deferred Compensation and Employees' Retirement Plans**

#### ***Deferred Compensation Plan:***

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all city employees, permits deferral of a portion of employee salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid

or made available to the employees or other beneficiary) solely the property and rights of the City, subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

#### ***Employees' Retirement Plan:***

The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agency for participating public entities within the state of California. All permanent full-time and selected part-time employees are eligible for participation in PERS. Benefits vest after five years of service and are determined by a formula that considers the employee's age, years of service and salary. Employees may retire at age 60 and receive 2 percent of their highest average annual salary for each year of service completed. Employees retiring at age 50 to 59 receive a lesser percentage for each year of service. PERS also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and City ordinance.

Employee contributions are 7 percent, while the Utility is required to contribute the remaining amounts necessary to fund the benefits for its members using the actuarial basis recommended by the PERS actuaries and consultants and adopted by the PERS Board of Administration. These benefit provisions and all other requirements are established by state statute and City ordinance. The Utility pays both the employee and employer contributions. Allocation of PERS financial data related to the Electric Utility is not available. City-wide information concerning elements of the unfunded pension benefit obligation, contributions to PERS for the year ended June 30, 1990, and recent trend information may be found in the notes to the City's "Comprehensive Annual Financial Report" for the fiscal year ended June 30, 1990.

### **Rate Stabilization Account**

The Electric Utility's rules and regulations provide for a Rate Stabilization Account (RSA) which is used to offset changes in the cost of operations. Wholesale rate refunds and over or under collections of revenues resulting from the difference between the Electric Utility's actual costs of supplying electric power and energy and the amount billed to customers through existing rates are recorded in the RSA. The amount of the RSA is determined in accordance with a formula based on retained earnings not exceeding the required reserve for debt service plus a \$10,000,000 reserve for working capital. The Electric Utility's fiscal 1990-91 budget includes the recognition of revenues in the amount of \$27,873,000 from the RSA to be used to offset fiscal year 1990-91 rate increases. Customer billings were reduced by \$7,108,000 during the

year ended June 30, 1990 through credits to customer bills.

### General Fund Contribution

Pursuant to the City Charter, the Electric Utility may transfer up to 11.5 percent of its prior year's gross operating revenues to the City's General Fund. The Electric Utility transferred 5.6 percent in 1988-89 and 7.5 percent of the prior year's gross operating revenues to the General Fund. This amounted to \$6,580,500 in 1988-89 and \$9,651,550 in 1989-90.

### Budgets and Budgetary Accounting

The Electric Utility presents, and the City Council adopts, an annual budget. The proposed budget includes estimated expenditures and forecasted revenues. The City Council adopts the Electric Utility's budget at its last meeting in June via an adopting resolution. The Electric Utility's budgeted expenditures for fiscal year 1989-90 amounted to \$158,141,000 while the adopted 1990-91 budget totals \$192,295,000.

## NOTE 2. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the Electric Utility for the year ended June 30, 1990 (in thousands):

	Balance July 1, 1989	Increase	Decrease	Balance June 30, 1990
Certificates of participation	\$ 979	\$43	\$ 246	\$ 776
Revenue bonds payable	146,645		2,735	143,910
Total	\$147,624	\$43	\$2,981	\$144,686

Annual debt service requirements to maturity as of June 30, 1990 are as follows (in thousands):

	1991	1992	1993	1994	1995	There- after	Total
Certificates of participation	\$ 205	\$ 193	\$ 171	\$ 97	\$ 66	\$ 44	\$ 776
Bond interest payable	10,159	9,902	9,641	9,370	9,097	99,544	147,713
Bond principal payable	2,905	3,110	3,320	3,575	3,820	127,180	143,910
Total	\$13,269	\$13,205	\$13,132	\$13,042	\$12,983	\$226,768	\$292,399

The Electric Utility's share of outstanding Certificates of Participation are due in annual installments through January 1, 1996; interest rates range from 5.75 percent to 9.4 percent.

*Revenue bonds payable at June 30, 1990 are as follows:*

\$80,000,000 1980 Electric Revenue serial bonds due in annual installments from \$925,000 to \$1,250,000 through October 1, 1993; interest from 8.1 percent to 10.0 percent .. \$4,325,000

\$9,070,000 1980 Electric Revenue Refunding serial bonds due in annual installments from \$470,000 through October 1, 1993; interest from 8.1 percent to 10.0 percent ..... \$1,880,000

\$35,000,000 1983 Electric Revenue serial bonds due in annual installments from \$435,000 to \$680,000 through October 1, 1995; interest from 8.5 percent to 10.5 percent .. \$3,330,000

\$16,500,000 1985 Electric Revenue bonds; \$6,110,000 serial bonds due in annual installments from \$315,000 to \$650,000 through October 1, 2000; interest from 6.75 percent to 8.3 percent; \$4,155,000 term bonds due October 1, 2005 at 8.4 percent; and \$6,235,000 term bonds due October 1, 2010 at 8.5 percent ..... \$15,425,000

\$121,025,000 1986 Electric Revenue Refunding Serial A bonds; \$36,410,000 serial bonds due in annual installments from \$760,000 to \$4,740,000 through October 1, 2001; interest from 5.2 percent to 6.8 percent, \$15,705,000 term bonds due October 1, 2004 at 7.0 percent; and \$68,910,000 term bonds due October 1, 2013 at 7.0 percent ..... \$118,950,000

Total Electric Revenue  
Bonds Payable ..... \$143,910,000

The Electric Utility's bond indentures require the Utility to maintain a debt service coverage ratio as defined by the bond covenants of 1.25. The Electric Utility's debt service coverage ratio was 2.16 at June 30, 1990.

## NOTE 3. RESERVED RETAINED EARNINGS

A reserve for debt service has been established pursuant to applicable bond indentures. The reserve for debt service at June 30, 1990 is equal to the maximum annual debt service required in future years plus three months' interest and nine months' principal due in the next fiscal year.

# NOTES TO FINANCIAL STATEMENTS

Fiscal Year  
Ended  
June 30, 1990

City of  
Riverside

Electric Utility

**NOTE 4. LITIGATION**

In April, 1985, Southern California Edison Company filed a lawsuit in the amount of \$4,747,000 regarding costs related to nuclear fuel purchases made by Edison for San Onofre Nuclear Generating Station Units 2 and 3. The City believes that this claim is without merit and has denied the claim. This case is proceeding and no opinion as to the probable outcome can be rendered at this time. No amounts have been accrued for this contingency in the accompanying financial statements.

**Rate Cases and Other Proceedings**

The Utility is a party plaintiff in various rate cases and other proceedings affecting the Electric Utility. The Utility does not believe that any of these proceedings will have an adverse effect upon the financial condition of the Electric Utility.

The Electric Utility is a defendant in various lawsuits arising in the normal course of business. Management, based in part on the opinion of outside legal counsel, does not believe that the ultimate resolution of these matters will have a material effect on the financial position or results of operations of the Electric Utility.

**NOTE 5. COMMITMENTS****Take or Pay Contracts**

The Electric Utility has entered into a Power Sales Contract with the Intermountain Power Agency (IPA) for the delivery of electric power. The Electric Utility's share of IPA power is equal to 7.6 percent of the generation output of IPA's 1,699 megawatt coal-fueled generating station, located in Central Utah.

The contract constitutes an obligation of the Electric Utility to make payments solely from revenues of the Electric Utility. The Power Sales Contract requires the Electric Utility to pay certain minimum charges which are based on

debt service requirements. Such payments are considered a cost of purchased power.

As of July 1, 1988, an amendment to the IPA bond resolution provided for the use of surplus construction funds to reduce power costs to purchasers. As a participant in the project, the Electric Utility received \$20,700,000 of these surplus funds in the form of credits on its power bill. These credits have been included in the Rate Stabilization Account and will be used to offset future rate increases.

The Electric Utility is a member of the Southern California Public Power Authority (SCPPA), a joint powers agency. SCPPA provides for the financing and construction of electric generating and transmission projects for participation by some or all of its members. To the extent the Electric Utility participates in projects developed by SCPPA, the Electric Utility is obligated for its proportionate share of the cost of the project. The projects and the Electric Utility's proportionate share of SCPPA's obligations are as follows:

Project	Percent Share
Palo Verde Nuclear	
Generating Station .....	5.4 percent
Southern Transmission	
System .....	10.1 percent
Hoover Dam Upgrading .....	31.9 percent

As part of the take or pay commitments with IPA and SCPPA, the Electric Utility has agreed to pay its share of current and long-term obligations. Payment for these obligations will be made from operating revenues received during the year that payment is due. Interest rates on the outstanding debt associated with the take or pay obligations range from 5.0 percent to 8.5 percent. The following schedule details the amount of principal which is due and payable by the Electric Utility for each project in the fiscal year indicated.

**Principal Payments**

(in thousands)

Year Ending June	IPA	SCPPA			Total
	Intermountain Power Project	Palo Verde Nuclear Generating Station	Southern Transmission System	Hoover Upgrading	
1991	\$ 3,825	\$ 824	\$ 999	\$ —	\$ 5,648
1992	4,984	882	1,065	—	6,931
1993	5,177	947	1,141	—	7,265
1994	5,658	1,018	1,223	156	8,055
1995	6,501	1,099	1,326	167	9,093
Thereafter	379,546	59,492	110,659	10,662	560,359
Total	\$405,691	\$64,262	\$116,413	\$10,985	\$597,351

## Power Sales Agreements

The Electric Utility has executed three firm Power Sales Agreements that allow the Electric Utility to purchase capacity and energy to offset purchases from Southern California Edison. The agreements are with the Deseret Generation and Transmission Cooperative (Deseret) of Sandy, Utah, the Pacific Gas and Electric Company (PG&E) and the California Department of Water Resources (CDWR). The agreement with Deseret is a fixed price purchase of 46.7 megawatts of firm capacity and associated energy for a period of eight years, ending December 31, 1994. The agreement with PG&E is a purchase of 5 megawatts of firm capacity and associated energy, renewable on an annual basis. The agreement with CDWR is a purchase of 20 megawatts of firm capacity and associated energy during the months of May through October each year, and expires on October 31, 1993. The sale and acceptance of capacity and energy is contingent upon available transmission service.

## Joint Ventures

Pursuant to a Settlement Agreement with Southern California Edison, dated August 4, 1972, the City was granted the right to acquire a 1.79 percent ownership interest in San Onofre Nuclear Generating Station (SONGS) Units 2 and 3. Pursuant to the Settlement Agreement, SCE agreed to provide the necessary transmission service to deliver the output of SONGS to Riverside. SCE and the City entered into the SONGS Participation Agreement which sets forth the terms and conditions under which the City, through the Electric Utility, participates in the ownership and output of SONGS. Maintenance and operation of SONGS remains the responsibility of SCE.

The Electric Utility's share of the capitalized construction cost and operating expenses is included in the Electric Utility financial statements. As of June 30, 1990, Riverside's 1.79 percent share of the capitalized construction costs for SONGS totaled \$113,295,000 with ac-

cumulated depreciation of \$25,443,000. The Electric Utility's portion of current and long term debt associated with SONGS is included in the accompanying financial statements.

As a participant in SONGS, the Electric Utility could be subject to assessment of retrospective insurance premiums in the event of a nuclear incident at San Onofre or any other licensed reactor in the United States.

## *Report of Independent Accountants November 16, 1990*

### *To the City Council and Board of Public Utilities of the City of Riverside, California*

In our opinion, the accompanying balance sheet and the related statements of operations and retained earnings and of changes in financial position present fairly, in all material respects, the financial position of the City of Riverside Electric Utility at June 30, 1989 and 1988, and the results of its operations and the changes in its financial position for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the management of the City of Riverside; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

# NOTES TO FINANCIAL STATEMENTS

Fiscal Year  
Ended  
June 30, 1990

City of  
Riverside

Electric Utility

# City of Riverside Water Utility

## WATER UTILITY SELECTED FINANCIAL STATISTICS

### WATER SUPPLY (acre-ft)

	<u>1989/90</u>	<u>1988/89</u>	<u>1987/88</u>	<u>1986/87</u>	<u>1985/86</u>
Pumping	61,249	60,815	57,446	57,267	53,314
Purchases	<u>6,598</u>	<u>3,133</u>	<u>3,214</u>	<u>3,417</u>	<u>3,454</u>
Total	67,847	63,948	60,660	60,684	56,768
% Pumped	90.3%	95.2%	94.7%	94.4%	93.9%
System Peak Day (gals)	35,400,000	89,248,000	90,858,000	86,025,000	92,894,000

### WATER USE

Average Number of Customers					
Residential	52,889	52,076	51,018	50,132	49,212
Commercial/Industrial	3,976	3,862	3,757	3,670	3,553
Other	<u>3,692</u>	<u>3,237</u>	<u>2,942</u>	<u>2,528</u>	<u>2,603</u>
Total	60,557	59,175	57,717	56,330	55,368
CCF Sales					
Residential	17,149,071	16,527,248	15,156,174	15,417,373	14,616,402
Commercial/Industrial	8,573,499	8,266,856	7,805,421	7,896,845	7,184,416
Other	<u>742,372</u>	<u>564,663</u>	<u>1,254,534</u>	<u>1,511,726</u>	<u>1,696,000</u>
Total	26,464,942	25,358,767	24,216,129	24,825,944	23,496,818
Average Annual CCF per Residential Customer	324	317	297	308	297
Average Price (cents/ccf)	62.3	61.2	63.5	62.5	62.0
Debt as a percent of Net Plant	40.0%	42.7%	47.5%	48.0%	52.7%
Operating income as a percent of Operating Revenues	10.6%	16.0%	6.0%	12.8%	13.6%
Employees	129.5	129.5	124.5	119.5	122.0

# City of Riverside Water Utility

## BALANCE SHEET

	June 30	
	1990	1989
	(In Thousands)	
<b>Assets</b>		
Utility plant:		
Source of supply	\$ 13,886	\$ 10,500
Pumping	4,927	4,642
Treatment	326	319
Transmission and distribution	97,007	94,632
General	3,584	3,260
Intangible	5,543	5,542
	<u>125,273</u>	<u>118,895</u>
Less accumulated depreciation	<u>(36,468)</u>	<u>(33,836)</u>
	<u>88,805</u>	<u>85,059</u>
Construction in progress	<u>7,148</u>	<u>7,527</u>
Total utility plant	<u>95,953</u>	<u>92,586</u>
Total restricted assets	<u>5,246</u>	<u>5,239</u>
 Current Assets:		
Cash and investments	33,609	33,556
Accounts receivable, net	2,370	1,909
Accrued interest receivable	<u>702</u>	<u>666</u>
Total current assets	<u>36,681</u>	<u>36,131</u>
Other assets	<u>142</u>	<u>151</u>
Total assets	<u>\$138,022</u>	<u>\$134,107</u>

The notes to the financial statements are an integral part of this statement.

**City of  
Riverside  
Water Utility**

**BALANCE SHEET**

	<b>June 30</b>	
	<b>1990</b>	<b>1989</b>
	(In Thousands)	
<b>Capitalization and liabilities</b>		
Equity:		
Retained earnings		
Reserved	\$ 5,246	\$ 5,239
Unreserved	26,795	25,266
Total retained earnings	32,041	30,505
Contributed capital	65,055	61,624
Total equity	97,096	92,129
Long-term obligations, less current portion	36,309	37,890
Total capitalization	133,405	130,019
Current liabilities payable from restricted assets:		
Accrued interest payable	629	648
Current portion of long-term obligations	1,769	1,674
Total current liabilities payable from restricted assets	2,398	2,322
Current liabilities:		
Accounts payable	771	401
Accrued liabilities	1,448	1,365
Total current liabilities	2,219	1,766
Commitments and contingencies		
Total capitalization and liabilities	<u>\$138,022</u>	<u>\$134,107</u>

The notes to the financial statements are an integral part of this statement.

City of  
Riverside  
Water Utility

STATEMENT OF OPERATIONS AND  
RETAINED EARNINGS

For the Fiscal Years Ended

	June 30	
	1990	1989
	(In Thousands)	
<b>Operating revenues:</b>		
Water sales		
Residential	\$11,224	\$10,861
Commercial	5,222	5,043
Other	495	578
Total operating revenues	<u>16,941</u>	<u>16,482</u>
<b>Operating expenses:</b>		
Operations	7,181	6,361
Maintenance	1,888	1,806
Purchased energy	2,129	2,190
Purchased water	1,135	833
Depreciation	2,811	2,659
Total operating expenses	<u>15,144</u>	<u>13,849</u>
Operating income	<u>1,797</u>	<u>2,633</u>
<b>Non-operating revenues (expenses):</b>		
Interest income	3,136	2,985
Interest expense	(2,663)	(2,666)
Gain on retirement of utility plant	160	59
Other	1,001	903
Total non-operating revenues (expenses)	<u>1,634</u>	<u>1,281</u>
Income before operating transfers	3,431	3,914
<b>Operating transfer out:</b>		
General fund contribution	<u>(1,895)</u>	<u>(1,835)</u>
Net income	1,536	2,079
<b>Retained earnings, July 1</b>	<u>30,505</u>	<u>28,426</u>
<b>Retained earnings, June 30</b>	<u><u>\$32,041</u></u>	<u><u>\$30,505</u></u>

The notes to the financial statements are an integral part of this statement.



# City of Riverside Water Utility

## STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Fiscal Years Ended

June 30

1990 1989  
(In Thousands)

**Sources of working capital:**

**Operations:**

Net income	\$ 1,536	\$ 2,079
Expenses not requiring current outlay of financial resources:		
Depreciation and amortization	2,811	2,659
Gain on retirement of utility plant	(160)	(59)
Amortization of debt issuance costs	9	10
Working capital provided by operations	4,196	4,689

Increase in contributed capital	3,431	8,259
Decrease in restricted assets		375
Increase in current liabilities payable from restricted assets	76	86
Proceeds from sale of utility plant	230	
Total sources of working capital	7,933	13,409

**Uses of working capital:**

Acquisition of utility plant	6,248	9,356
Reduction of long-term obligations	1,581	1,308
Increase in restricted assets	7	
Total uses of working capital	7,836	10,664
Net increase in working capital	\$ 97	\$ 2,745

**Component elements of net increase (decrease) in working capital:**

Cash and investments	\$ 53	\$ 2,735
Receivables, net	497	(174)
Accounts payable	(369)	420
Accrued liabilities	(84)	(236)
Net increase in working capital	\$ 97	\$ 2,745

The notes to the financial statements are an integral part of this statement.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Water Utility exists under, and by virtue of, the City Charter enacted in 1883, and is a component unit of the City of Riverside (City). The Water Utility is responsible for the production, transmission and distribution of water for sale in the City.

### Basis of Accounting

The Financial Statements of the Water Utility are presented in conformity with generally accepted accounting principles as applicable to governments and substantially in conformity with accounting principles prescribed by the California Public Utilities Commission, except for the method of accounting for contributed capital described below. The Water Utility is not subject to the regulations of the California Public Utilities Commission.

### Utility Plant and Depreciation

All utility plant is valued at historical cost or estimated historical cost, if actual historical cost is not available. Contributed plant is valued at its estimated fair market value on the date contributed. Cost includes labor, materials, allocated indirect charges such as engineering, supervision, construction and transportation equipment, retirement plan contributions and other fringe benefits, and certain administrative and general expenses. The cost of relatively minor replacements are included in maintenance expense.

Depreciation is provided over the estimated useful lives of the related assets using the straight line method. The estimated useful lives are as follows:

Supply Pumping	
and Treatment Plant .....	20-50 years
Transmission and	
Distribution Plant .....	30-50 years
General Plant	
and Equipment .....	5-50 years

### Cash and Investments

The City Treasurer deposits idle funds in accordance with Section 53601 of the California Government Code and the City's general investment policy. In accordance with the City's policy, the Water Utility's cash and investments are invested in a pool managed by the Treasurer of the City. The Water Utility does not own specific, identifiable investments of the pool.

At June 30, 1990, cost approximated the market value of the Water Utility's share of pooled cash and investments. The bank balance was covered by federal depository insurance or by collateral held in the pledging bank's trust department for the benefit of the City. At June 30, 1990, the City has invested principally in medium term and floating rate notes, certificates of deposit and U.S. Treasury obligations which were insured, registered or collateralized with securities held by the City or its agent in the City's name. Investments held at June 30, 1990 under Repurchase and Reverse Repurchase

Agreements and Investments in Deferred Compensation Plans were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name. Disclosure of the legal and contractual provisions of the City's investment policy and carrying amounts by type of investment categorized by credit risk may be found in the notes to the City's "Comprehensive Annual Financial Report" for the fiscal year ended June 30, 1990.

### Revenue Recognition

The Water Utility uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Water Utility customers are billed monthly. Unbilled water service charges are recorded at year end and are included in Accounts Receivable. Unbilled accounts receivable were \$750,000 at June 30, 1989 and \$759,000 at June 30, 1990. An allowance for doubtful accounts is maintained for utility and miscellaneous accounts receivable. The balance in this account is adjusted at fiscal year end to approximate the amount anticipated to be uncollectible. The balance in the allowance account was \$212,000 at June 30, 1989 and \$214,229 at June 30, 1990. During the fiscal year, accounts determined to be uncollectible are recorded as bad debt expense.

### Inventories

The City maintains a separate Central Stores inventory. The Water Utility expenses items as they are drawn out of Central Stores. As such, the Water Utility does not include inventories on its financial statements.

### Contributed Capital

Under the provisions of the City Charter, amounts received from customers and others for constructing utility plant are combined with retained earnings to represent equity. Accordingly, contributed capital is shown in the accompanying balance sheet as an equity account and is not offset against utility plant. Depreciation provided for the related utility plant is expensed.

### Compensated Absences

The accompanying financial statements include accruals for salaries, fringe benefits and compensated absences due employees at June 30, 1990. The Water Utility treats compensated absences due employees as a current liability.

Employees receive ten to twenty vacation days a year based upon length of service. A maximum of two years vacation can be accumulated and unused vacation may be redeemed for cash upon separation.

Employees receive one day of sick leave for each month of employment with unlimited accumulation. Employees who terminate for reasons other than retirement or death lose all accumulated sick leave. Upon retirement or death, a percentage of unused sick leave is paid to certain employees or their estates in a lump sum based on longevity. Employees hired in

# NOTES TO FINANCIAL STATEMENTS

Fiscal Year Ended  
June 30, 1990

City of  
Riverside

Water Utility

the general bargaining unit after July 1, 1979 cannot redeem unused sick leave. A liability is recognized for the portion of accumulated sick leave benefits which is estimated to be settled upon retirement or death.

### **Self-Insurance Program**

The Water Utility participates in a self-insurance program for workers' compensation and general liability coverage which is administered by the City. The Water Utility pays an amount to the City representing an estimate of amounts to be paid for reported claims incurred and unreported claims based upon past experience, modified for current trends and information.

While the ultimate losses incurred through June 30, 1990 is dependent upon future developments, the Utility's management believes that amounts paid are sufficient to cover such losses.

### **Deferred Compensation and Employees' Retirement Plans**

#### ***Deferred Compensation Plan:***

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all city employees, permits deferral of a portion of employee salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency (as defined).

All amounts of compensation deferred under the plan, all property rights purchased with those amounts and all income attributable to these amounts, property or rights are solely the property and rights of the City (until paid or made available to the employee or other beneficiary) subject only to the claims of the City's general creditors. Participants' rights under the Plan are equal to those general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

#### ***Employees' Retirement Plan:***

The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agency for participating public entities within the state of California. All perma-

nent full-time and selected part-time employees are eligible for participation in PERS. Benefits vest after five years of service and are determined by a formula that considers the employee's age, years of service and salary. Employees may retire at age 60 and receive 2 percent of their highest average annual salary for each year of service completed. Employees retiring at age 50 to 59 receive a lesser percentage for each year of service. PERS also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and City ordinance.

Employee contributions are 7 percent, while the Utility is required to contribute the remaining amounts necessary to fund the benefits for its members using the actuarial basis recommended by the PERS actuaries and consultants and adopted by the PERS Board of Administration. These benefit provisions and all other requirements are established by state statute and City ordinance. The Utility pays both the employee and employer contributions. Allocation of PERS financial data related to the Water Utility is not available. City-wide information concerning elements of the unfunded pension benefit obligation, contributions to PERS for the year ended June 30, 1990, and recent trend information may be found in the notes to the City's "Comprehensive Annual Financial Report" for the fiscal year ended June 30, 1990.

### **General Fund Contribution**

Pursuant to the City Charter, the Water Utility may transfer up to 11.5 percent of its prior year's gross operating revenues to the City's General Fund. In Fiscal Years 1988-89 and 1989-90 the Water Utility transferred 11.5 percent of gross operating revenues, or \$1,835,000 in 1988-89 and \$1,895,000 in 1989-90.

### **Budgets and Budgetary Accounting**

The Water Utility presents, and the City Council adopts, an annual budget. The proposed budget includes estimated expenditures and forecasted revenues. The City Council adopts the Water Utility's budget at its last meeting in June via an adopting resolution. The Water Utility's budgeted expenditures for fiscal year 1989-90 amounted to \$29,952,000 while the adopted 1990-91 budget totals \$38,713,000.

## **NOTE 2. LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations of the Water Utility for the year ended June 30, 1990 (in thousands):

	Balance July 1, 1989	Increase	Decrease	Balance June 30, 1990
Certificates of participation	\$ 552	\$98	\$ 219	\$ 431
Contracts payable	1,332		10	1,322
Revenue bonds payable	37,680		1,355	36,325
Total	\$39,564	\$98	\$1,584	\$38,078

The annual requirements to amortize all debt outstanding (including interest) as of June 30, 1990 is as follows (in thousands):

# NOTES TO FINANCIAL STATEMENTS

Fiscal Year  
Ended  
June 30, 1990

City of  
Riverside

Water Utility

	1991	1992	1993	1994	1995	Thereafter	Total
Certificates of participation and contracts payable	\$ 344	\$ 273	\$ 202	\$ 181	\$ 181	\$ 572	\$ 1,753
Bond interest payable	2,459	2,374	2,284	2,190	2,090	16,215	27,612
Bond principal payable	1,425	1,505	1,540	1,615	1,685	28,555	36,325
Total	\$4,228	\$4,152	\$4,026	\$3,986	\$3,956	\$45,342	\$65,690

The Water Utility's share of outstanding Certificates of Participation are due in annual installments through January 1, 1996; interest rates range from 5.75 percent to 9.4 percent.

Contracts payable at June 30, 1990 consist of Water Stock acquisition rights payable to various water companies.

*Revenue bonds payable at June 30, 1990 are as follows:*

\$1,000,000 1966 Water Revenue Series 2 serial bonds due in annual installments from \$35,000 to \$40,000 through February 1, 1996; interest from 3.7 percent to 3.75 percent ..... \$230,000

\$3,500,000 1967 Water Revenue Series A series bonds due in annual installments from \$110,000 to \$130,000 through June 1, 2002; interest from 4.20 percent to 4.25 percent .. \$1,400,000

\$1,500,000 1969 Water Revenue serial bonds due in annual installments from \$50,000 through December 1, 1999; interest from 6.8 percent to 7.0 percent ..... \$500,000

\$5,000,000 1972 Water Revenue serial bonds due in annual installments from \$180,000 to \$325,000 through May 1, 2002; interest from 3.0 percent to 5.6 percent ..... \$2,935,000

\$6,900,000 1973 Water Revenue serial bonds due in annual installments from \$235,000 to \$435,000 through August 1, 2003; interest from 5.30 percent to 5.75 percent ..... \$4,515,000

\$5,000,000 1974 Water Revenue serial bonds due in annual installments from \$180,000 to \$310,000 through December 1, 2004; interest from 7.25 percent to 7.5 percent ... \$3,370,000

\$2,000,000 1976 Water Revenue serial bonds due in annual installments from \$60,000 to \$145,000 through February 1, 2006; interest from 6.0 percent to 6.25 percent ..... \$1,415,000

\$3,000,000 1977 Water Revenue serial bonds due in annual installments from \$80,000 to \$225,000 through February 1, 2007; interest from 5.1 percent to 5.75 percent ..... \$2,200,000

\$6,600,000 1978 Water Revenue serial bonds due in annual installments from \$200,000 to \$410,000 through April 1, 2008; interest from 5.1 percent to 5.8 percent ..... \$4,885,000

\$15,900,000 1985 Water Revenue bonds, \$5,845,000 serial bonds due in annual installments from \$295,000 to \$625,000 through October 1, 2000; interest from 6.9 percent to 8.4 percent; \$4,010,000 term bonds due October 1, 2005, interest at 8.5 percent; and \$6,045,000 term bonds due October 1, 2010, interest at 8.6 percent ..... \$14,875,000

Total Water Revenue  
Bonds Payable ..... \$36,325,000

The Water Utility's bond indentures require the Utility to maintain a debt service coverage ratio, as defined by the bond covenants, of 1.50. The Water Utility's debt service coverage ratio was 2.25 at June 30, 1990.

## NOTE 3. RESERVES OF RETAINED EARNINGS

A reserve for debt service has been established pursuant to applicable bond indentures. The reserve for debt service at June 30, 1990 is equal to the maximum annual debt service required in future years plus accrued interest and principal due in the next fiscal year.

## NOTE 4. LITIGATION

The Water Utility is a defendant in various lawsuits arising in the normal course of business. Management, based in part on the opinion of outside legal counsel, does not believe that the ultimate resolution of these matters will have a material effect on the financial position or results of operations of the Water Utility.

## Report of Independent Accountants November 16, 1990

## To the City Council and Board of Public Utilities of the City of Riverside, California

In our opinion, the accompanying balance sheet and the related statements of operations and retained earnings and of changes in financial position present fairly, in all material respects, the financial position of the City of Riverside Water Utility at June 30, 1989 and 1988, and the results of its operations and the changes in its financial position for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the management of the City of Riverside; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

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## June 30, 1990

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RIVERSIDE PUBLIC UTILITIES

City Hall

3900 Main Street, 4th Floor

Riverside, CA 92522

(714) 782-5506

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