City Of Riverside
Public Utilities Department
Year Ended June 30, 1987

Table Of Contents

Board of Public Utilities

Water Committee:
Esteban Soriano
Robert A. Krieger
Roger A. Luebs
Chairman Herbert Barnett

Electric Committee:
Jay W. Evans
Gerald M. Garat
Glen E. Stephens

Public Utilities Director's Report

It is a pleasure to present this first-ever Annual Report of the City of Riverside Public Utilities Department. The purpose of the Report is to inform the consumers about the many services and programs provided by the Utilities and to highlight the significant events of the past year.

In the fiscal year 1986-87, water and electric supplies remained adequate to meet the needs of our consumers, electric and water rates remained level, system capital improvements progressed at a healthy pace and long range water and electric supply studies were completed.

The Riverside area continues to be one of the most rapidly growing areas in the country and the outlook appears to be more of the same. The Utilities have kept pace with this growth in all areas and are continually planning to meet future needs. In the past year the Utilities' capital improvement program totalled $10,981,292 million dollars for the electric system and $6,191,634 million in the water system. This was accomplished without the need for rate increases.

The Utilities has completed a major departmental reorganization to better meet the needs of consumers. Several new positions were added and the organization structure was changed to better conduct the complex business of providing the vital water and electric needs of the citizens of Riverside.

In reflecting upon my first year in Riverside as the Public Utilities Director, several observations come to mind. First, the Utilities personnel in Riverside are among the most dedicated, professional and talented to be found anywhere. It has been a pleasure to work with them. Second, it is my feeling that most of our consumers do not realize the service rendered by the Utilities is of the highest caliber. There is a genuine concern on the part of the Utilities to keep rates as low as possible while providing quality water and reliable electricity for the citizens of Riverside. Third, the type of leadership provided by the Board of Public Utilities, City Council and City Manager is first rate. These dedicated individuals work long, sometimes thankless, hours to assure that the quality of life we enjoy in Riverside is maintained for future generations.

But where do we go from here? The Utilities is presently developing a Strategic Plan which will help set goals and objectives to guide the Utilities for many years to come. The Plan places particular emphasis on the customer services aspects in virtually everything we do. We are "public power" and "consumer owned" and thus uniquely positioned to provide the types of quality services that our consumers want while delivering those services at the lowest rates possible. The plan for the future will embrace the concepts that the Utilities must forge a special alliance with the consumers so that the services provided will be in tune with the needs. This is an exciting challenge but one that will be met.

Bill D. Carnahan

From left: Bill D. Carnahan, Public Utilities Director; Assistant Public Utilities Directors James H. Harmon, CPA, Finance/Administration; Dieter P. Wirtzfeld, Engineering & Resources; Michael J. Baldwin, P.E., Operations

1986-1987 Fiscal Year Highlights

	ELECTRIC		WATER	
	Year ended June 30		Year ended June 30	
OPERATIONS	**1987**	**1986**	**1987**	**1986**
Production	1,258 million kilowatt-hours	1,208 million kilowatt-hours	60,749 Acre Feet	57,890 Acre Feet
System peak requirements	292,000 kilowatts	323,000 kilowatts	86 Million Gallons	93 Million Gallons
Average number of customers	80,000	76,000	56,000	55,000
FINANCIAL (in thousands)				
Revenues from sale of electricity and water*	$ 115,358	$ 108,099	$ 16,337	$ 15,359
Net income**	$ 15,416	($ 18,687)	$ 2,084	$ 2,082
Transferred to City of Riverside General Fund	$ 6,052	$ 5,538	$ 1,763	$ 1,667

**Amounts represent revenues derived solely from billings.*
***1986 Electric Net Income includes an extraordinary loss from a refunding of long-term debt in the amount of $17,763,000.*

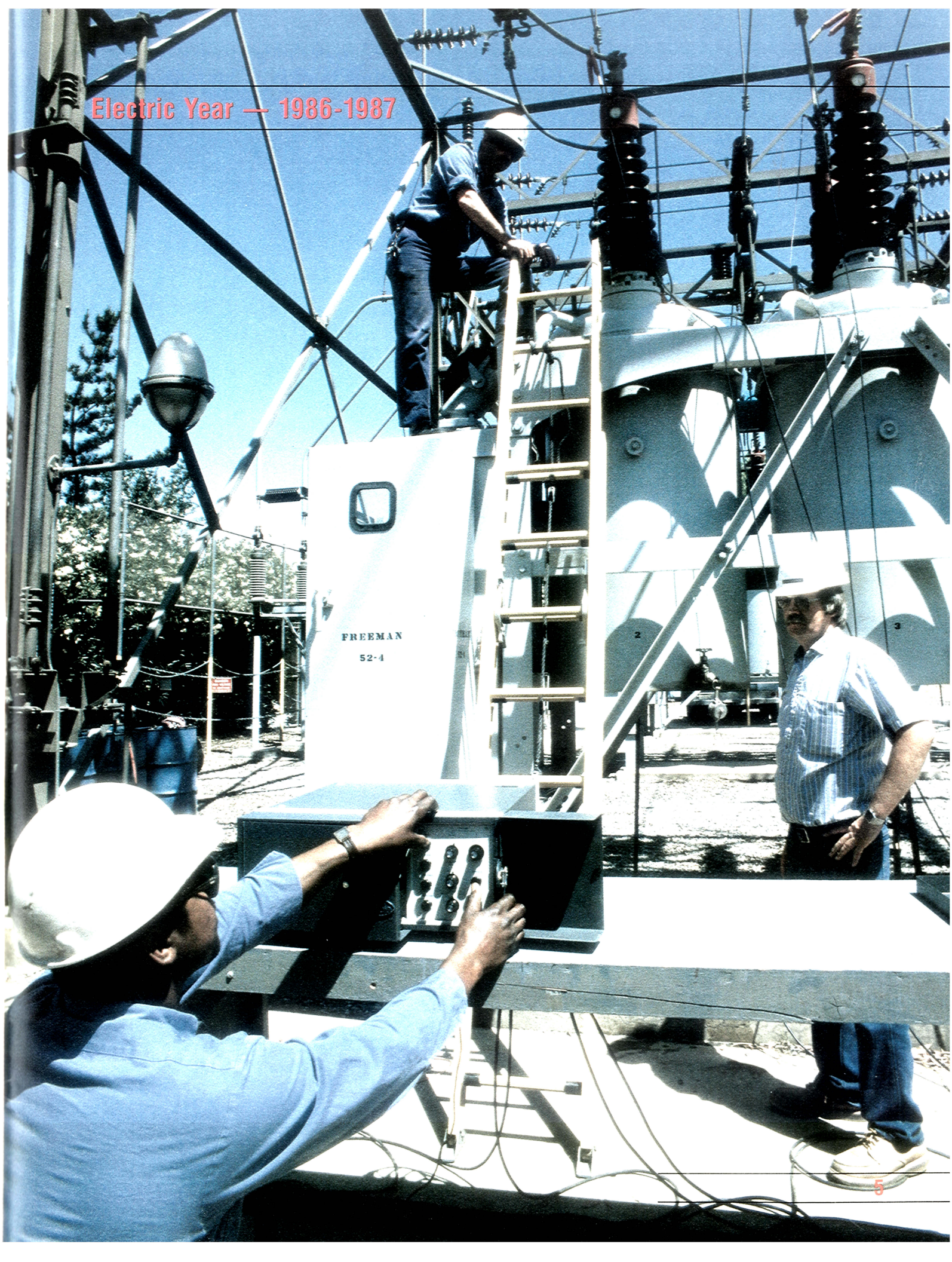
CREDIT RATING	MOODY'S INVESTORS SERVICE	STANDARD AND POOR'S CORPORATION
Electric Revenue Bonds	Aa	A+
Water Revenue Bonds	A1	A+

City Government

Doug Weiford, City Manager

1987 City Council
Standing: Sam Digati, Jack Clarke, Ronald O. Loveridge, Robert E. Bowers, Paul Renck
Seated: Jean Mansfield, Mayor Ab Brown, Pete Peterson

Electric Year — 1986-1987



POWER SUPPLY

Over the last several years, the Public Utilities Department has made a concerted effort to increase the mix of electric power supply resources, thereby stabilizing rates and reducing dependence on Southern California Edison Company (SCE).

During the past year the achievement of that goal came nearer to a reality as the following projects and power supply contracts, supplying nearly 40% of Riverside's expected 1987 peak needs, were added to the resource mix:

INTERMOUNTAIN POWER PROJECT (IPP); UNIT 2

On May 1, 1987, Unit 2 of the Intermountain Power Project was placed in commercial operation. Riverside owns 7.62% of both Units 1 and 2 of this 1600 megawatt, coal-fired generating plant located in Delta, Utah. Unit 2 will provide approximately 20% of the projected peak capacity needs for 1987 and 25% of the estimated FY 1987 annual energy usage.

The IPP project was completed ahead of schedule and under budget. Overall project power costs were also reduced due to the timely refinancing of bonds at lower interest rates. This is a very cost effective project that will provide Riverside's customers with a reliable, clean and economic source of power for many years to come.

SOUTHERN TRANSMISSION SYSTEM (STS)

To deliver IPP power to Riverside, the City participated with several other Southern California utilities in constructing a transmission line from IPP to the local California transmission network. This is a 500 kilovolt direct current (DC) line on which Riverside has an entitlement in excess of 160 megawatts of capacity under normal operating conditions. This exceeds the requirements for transmitting the total IPP entitlements of approximately 120 megawatts. The additional capacity will be utilized to provide a path for obtaining power from other utilities under both long-term contracts and spot market purchases. The IPP project, Units 1 and 2, was completed and became fully commercial during the year. Riverside also owns contractual rights to approximately 140 megawatts on the Northern Transmission System (NTS). This is a 345 kilovolt alternating current line connecting IPP with facilities in Mona, Utah.

DESERET GENERATION AND TRANSMISSION (G&T) CONTRACT

During the past year, the Board of Directors and the City Council approved a long-term contract which runs through 1994 with Deseret G&T Cooperative for the purchase of 47 megawatts of power. This energy will be transmitted over both the Southern Transmission System (STS) and Northern Transmission System (NTS). Purchases under this contract began on June 1, 1987.

PACIFIC GAS & ELECTRIC (PG&E) CONTRACT

A contract for purchasing 5 megawatts of power from PG&E became effective in June, 1987. This contract is for a maximum of five years.

HOOVER POWER PLANT

Riverside obtained a 30 megawatt entitlement through a contract signed with the Western Area Power Administration (Western) as a result of a project to uprate existing federal hydroelectric facilities at the Hoover power plant on Lake Mead, Nevada. Initially, Riverside will receive 5 megawatts increasing in steps to the full 30 megawatts by 1992 as the uprating project is completed. In accordance with federal statutes, this power will be sold at cost.

CITY OF RIVERSIDE RESOURCES CAPACITY INFORMATION

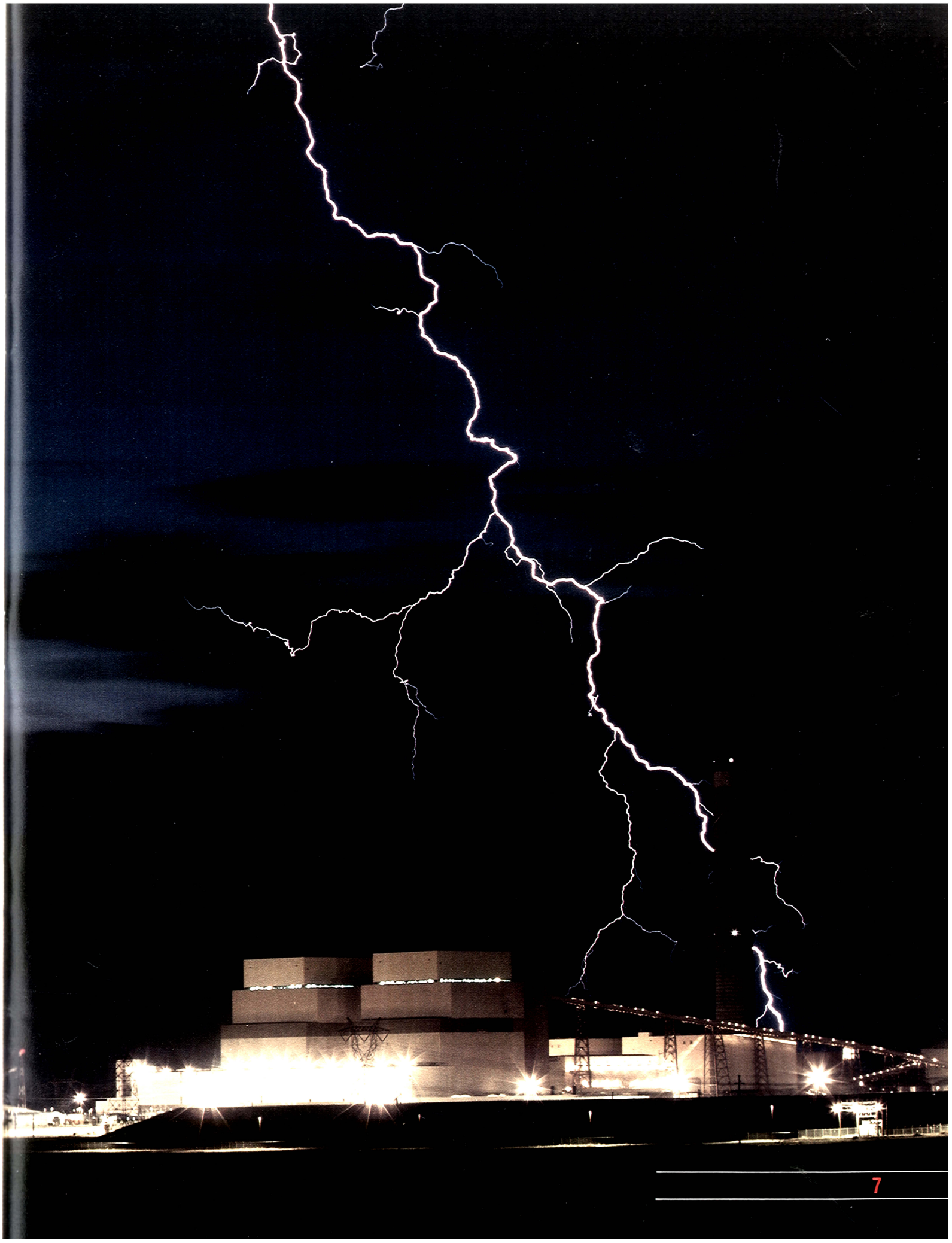
INTEGRATED RESOURCES

UNIT NAME	CITY'S SHARE MW	CAPACITY CREDITS(1)
SONGS 2	19.153	14.132
SONGS 3	19.153	14.264
PALO VERDE 1	3.896	2.900
PALO VERDE 2	3.896	2.900
PALO VERDE 3	0.000	0.000
IPP 1	60.936	43.629
IPP 2	60.936	43.629
HOOVER	5.964	4.338
Resources Capacity Credit		125.792

SP-12 RESOURCES

CAPACITY SOURCES	CITY'S CAPACITY PURCHASE MW	CAPACITY OFFSET
PG&E	5.00	4.879
DESERET	47.00	44.767
SP-12 Capacity Offset		49.646
Total Capacity Offset		175.438
1987 Summer Peak (Forecasted)		318.300
Capacity Requirement from SCE		142.862

(1) Minus reserve requirements and transmission losses.



PLANNING AND LOAD MANAGEMENT

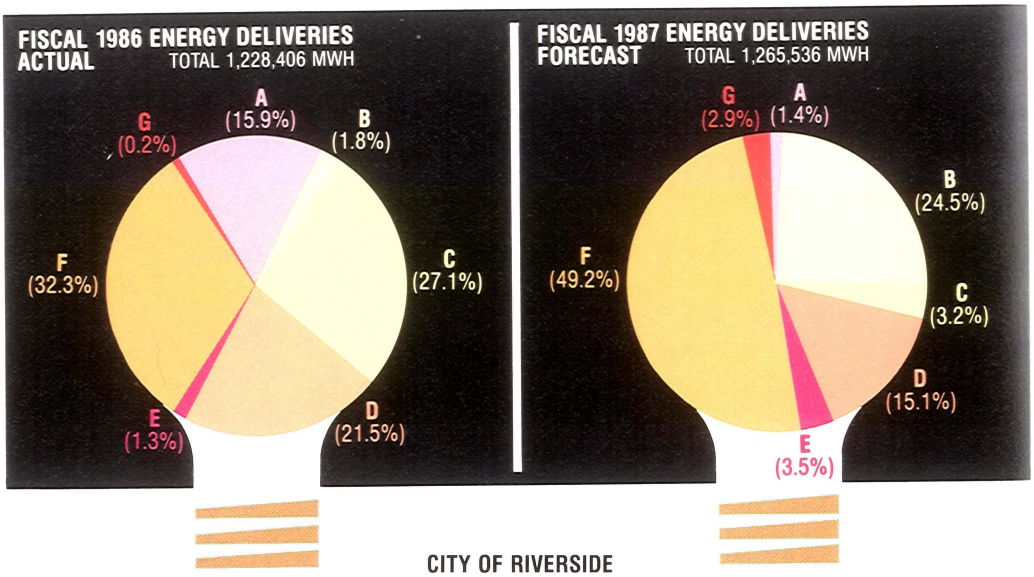
The past year's acquisition of resources, coupled with existing entitlements at San Onofre and Palo Verde nuclear plants, and IPP Unit 1, can supply all the city's power needs during the winter months and up to 80% of its summer requirements. The shortfall will be made up by purchases from Edison or other utilities.

Riverside is pursuing a number of options to economically fill this shortfall and meet future growth requirements. Options include the installation of combustion turbines for peaking purposes, exchange agreements with winter-peaking utilities, participation in future plants and capacity purchases from other utilities.

In May, 1987, R.W. Beck and Associates completed a Resources and Facilities Planning Study for Riverside. The study essentially projected future load growth and recommended participation in construction projects. Various projects were evaluated and recommended as the proposed Power Supply Plan.

A Load Management Study by the firm of Ernst & Whinney was completed in May 1987. The study investigated various load management programs options and presented the feasibility of the programs to the utility.

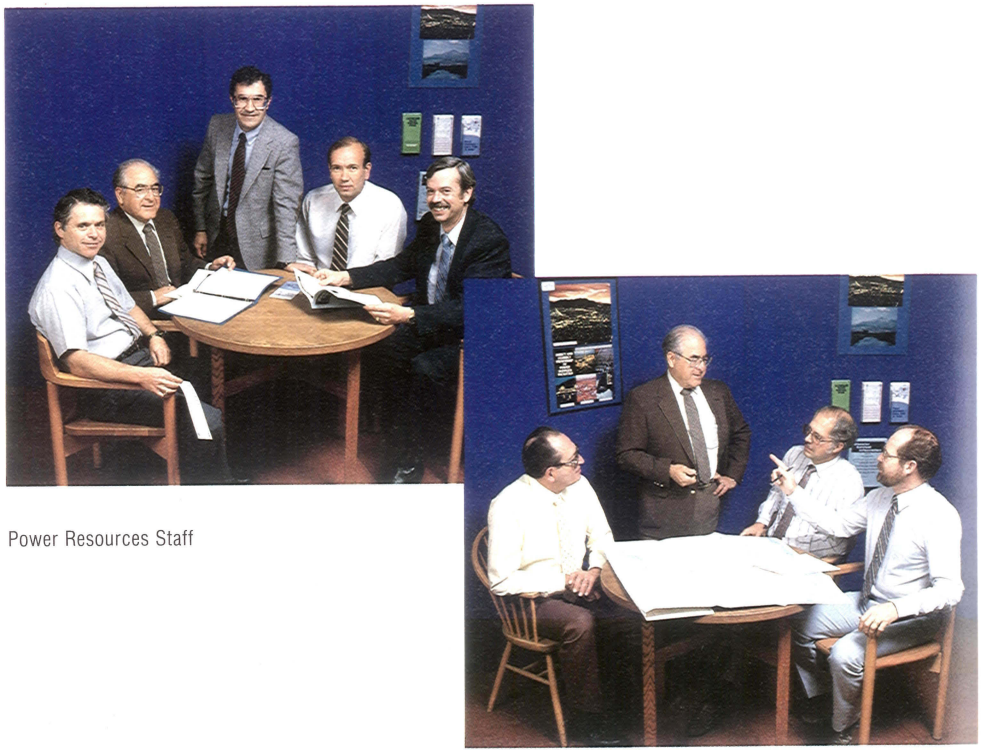
The results of the R.W. Beck and Ernst & Whinney studies will be evaluated and integrated into a comprehensive plan which will include the most economical choices for Power Supply and Load Management alternatives.



A = Southern California Edison
B = Long Term Contracts
C = Economy Purchases
D = San Onofre Nuclear Generating Station
E = Palo Verde Nuclear Generating Station
F = Intermountain Power Project
G = Hoover Power Plant

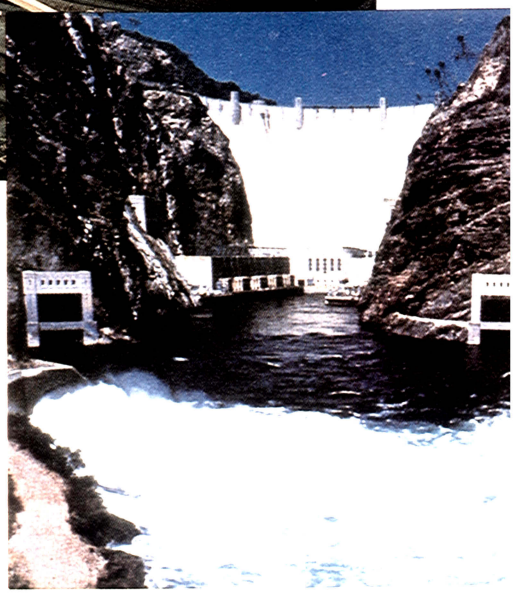
ECONOMY PURCHASES

During the past year, the Utilities established a Resources Management group to purchase and sell energy on a 'spot' market basis. These 'economy energy' transactions involve hour-by-hour scheduling of the City's resources and purchases/sales with utilities in the western United States to meet load requirements. This effort has resulted in savings to the utility of over 2.2 million dollars during the past year.

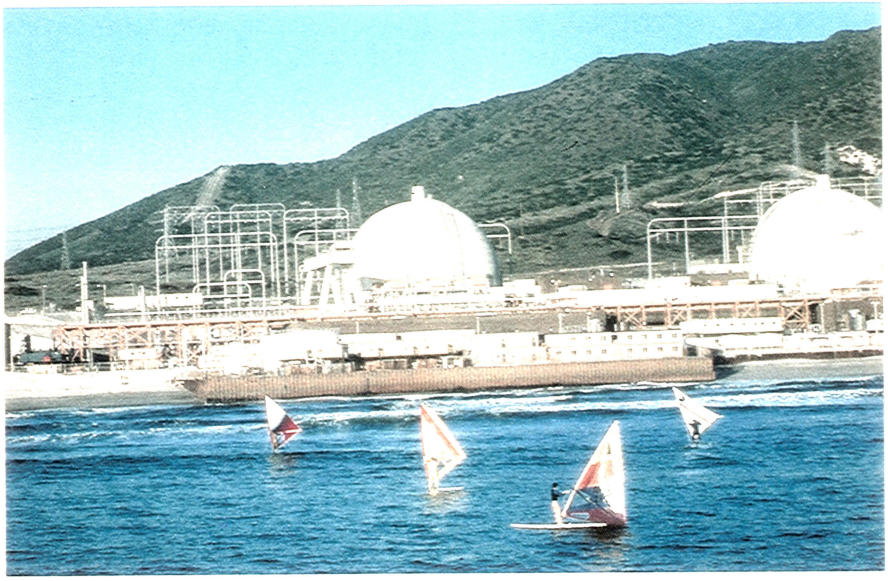


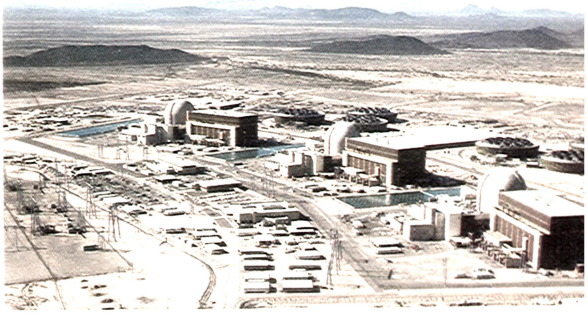
Power Resources Staff

Resources



Clockwise from top:
Intermountain Power Project
Hoover Power Plant
Palo Verde Nuclear Generating Station
San Onofre Nuclear Generating Station
Southern Transmission System Converting Station at I.P.P.





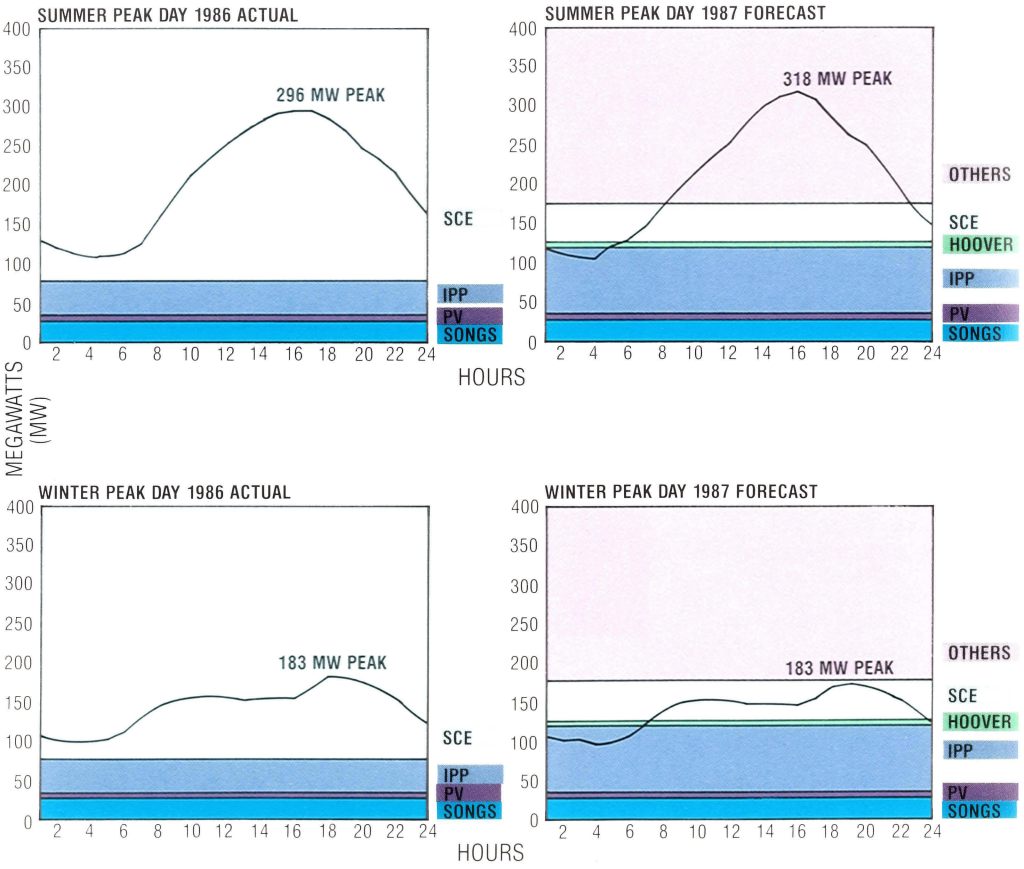
SYSTEM CONSTRUCTION

The construction of both overhead and underground electrical facilities to serve the new Canyon Springs Shopping Center was the major Operations project of the year. This installation involved working closely with Southern California Edison (SCE) crews. As the structures for Riverside's future 69 kilovolt transmission lines were installed, SCE transferred their 12 kilovolt circuits to the new poles.

KAISER SUBSTATION

The substation designed to serve the new Kaiser Hospital in the rapidly developing area of La Sierra was completed. This substation is a 6/7.5 megavolt amperes (MVA) transformer, 69 kilovolts to 12 kilovolts, with capability of future expansion by installing another transformer as the load develops.

CITY OF RIVERSIDE — NET OF RESERVE REQUIREMENTS



MVA Mobile Substation

HUNTER AND FREEMAN SUBSTATION

Equipment was received and ground work started to enlarge the existing Hunter and Freeman substations with the addition of 26.9 MVA transformer banks in each. Also being added are six new 12 kilovolt feeders to assist in meeting the 1988 summer peak loads.

During this construction period, an 8.4 MVA Mobile Substation was installed to provide support for the 12 kilovolt Freeman Substation feeders. It will also relieve the 4 kilovolt Casa Blanca Substation feeders during the summer peak.

NEW SERVICE

Distribution line extensions and services were installed for 4,000 new residential and 465 new commercial/industrial customers. Approximately four circuit miles of overhead, and 28 circuit miles of underground distribution lines were installed in fiscal year 1986. Increasing customer requirements resulted in installation of another 29,000 KVA of distribution transformer capacity during the year. The majority of the underground construction was completed in the rapidly developing residential sub-divisions.

Campus, University of California, Riverside

LOOKING AHEAD

Much time and effort will be directed toward completing Freeman and Hunter Substation additions prior to the summer peak of 1988. Additionally, the 12 kilovolt feeder work required to shift both existing and new loads to these substation additions will have an extremely high priority. The installation of facilities to serve the increasing new customer requirements will occupy much of the Construction Section's time. Electricity sales in Riverside are expected to grow at an average rate of 2-1/2 percent over the next year.

The five-year Capital Improvement Program currently proposes an expenditure of $38 million for electric systems improvements. These improvements will include: continuing conversions of several areas of the City from 4 kilovolt distribution lines to more efficient 12 kilovolt lines; construction of two substations located in the Orangecrest and Canyon Springs developments; installation of an additional substation transformer; 69 kilovolt circuit breaker upgrades at several substations to maintain safe and reliable transmission system operation; and construction of several new 69 kilovolt transmission lines to accommodate increasing customer growth.

RESOURCE EFFICIENCY AND CONSERVATION PROGRAMS

Riverside maintains a strong commitment to using resources in an efficient manner. This commitment is manifest both in the operations of the Utilities and through programs and services offered the customers.

One cost effective operating procedure, which impacts both power and water resources, is water pumping during the night hours when power costs are lowest. Another power saving project has been the installation of a thermal energy storage system for the City Hall building. This system utilizes electricity during the low-cost, off-peak periods to meet the daytime cooling and heating needs.

Customer-oriented programs are offered to assist them in more efficient use of energy and water. The Pool Credit Program, a load management program for customers in operation since 1977, offers a monthly utility bill credit as an incentive for pool owners to operate swimming pool pumps on off-peak hours. It has been a highly successful program with a low operating cost factor. Other load management programs, in the development process, include residential air conditioner replacement rebates and commercial thermal storage. Research into the feasibility of promoting heat pumps, residential time-of-use rates and other customer oriented load management programs is also in process.

Riverside Energy Demonstration Center

CONSERVATION PROGRAMS

Public information, school education programs, free residential and commercial on-site energy surveys and operation of an Energy Demonstration Center open to the public, are among conservation services offered Riverside customers.

Special programs, designed to assist seniors, low-income and the disabled households in improving energy efficiency are also offered without cost. An award winning WE CARE Program for seniors, which began in Spring of 1984, has resulted in 2,242 senior households being provided energy surveys and education, with 1,426 households receiving installation of water heater blankets, weatherstripping and low-flow showerheads. The surveys and installation of conservation measures are performed by four part-time senior citizen employees. The HHEARTS Program for the low-income handicapped households is a spin-off from the WE CARE Program. In addition, a Life Line Program provides special reduced rates for individuals who require electric life-support equipment. These individuals can also qualify for the HHEARTS Program.

CUSTOMER SERVICES

FY 1986-87 was eventful in terms of planning for the future. The Customer Information System is due to be in process in November 1987. A rise in productivity is anticipated with the elimination of time consuming procedures. Nearly all things related to a customer's account will be automated, eliminating form processing and freeing customer service personnel for a higher quality of public assistance.

A new computerized Utility Service Area Reroute program for meter reading is approaching completion and by November 1987, the route will be ready for testing. The reroute system will enable scheduling a day's reading according to available personnel, weather conditions, etc., on a computerized system and the formula for doing so will be proven and reliable.

Customer Service Representatives

In addition to the reroute system, hand held meter reading devices are being considered to increase productivity and streamline the process of reading and billing electric and water meters. This device stores unlimited histories, and pertinent information entered by the Meter Reader. Reading errors are almost eliminated because the consumption is verified according to a customer's monthly average. Any reading over or under the average will be questioned and rechecked.

A radio base station has been added to the system to enable transmitting service orders directly to service personnel in the field from the office. This enables us to provide more timely service in the most efficient, cost effective manner.

Customer Service
"Employees of the Month"

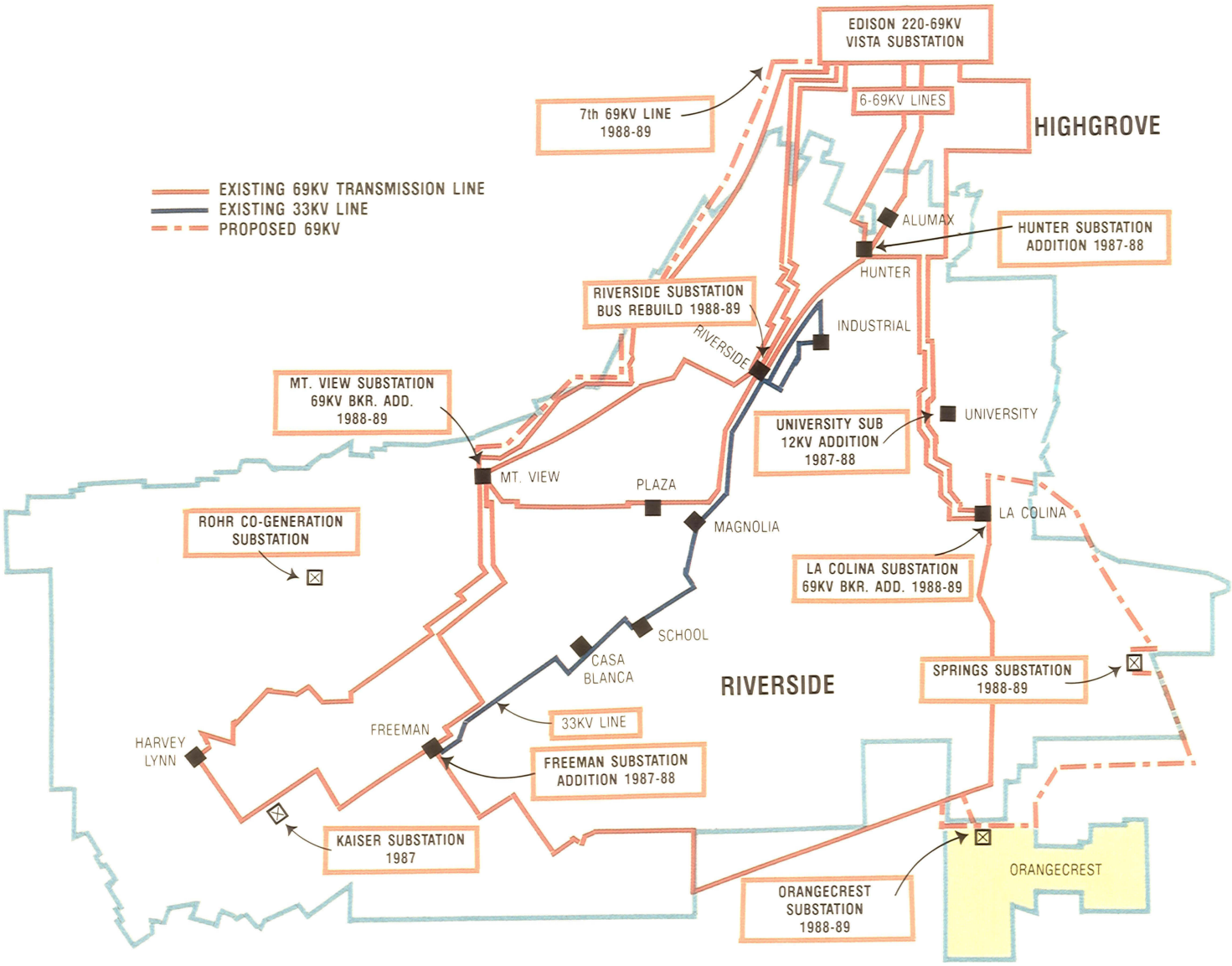
EMPLOYEE RECOGNITION

Effective customer service begins with employees who enjoy their jobs and Customer Service employees who are dedicated to giving a high level of service. Because it is important to recognize individuals and reward them, an "Employee of the Month" is nominated by their co-workers. The nominations are then reviewed by a committee of supervisors and one employee is selected based on performance, attitude and improvement. The "Employee of the Month" is awarded with a gift certificate, paid time off and an attractive "Employee of the Month" Certificate. For one month, a picture of the employee is displayed in the City Hall Lobby which has received attention and generates a positive response.

LOOKING AHEAD

Due to the City's rapid growth over the past two years, the capacity to answer incoming phone calls in a reasonable length of time has become difficult. The Utilities is investigating a phone system that, with the use of a touch tone phone, will answer a customer's inquiries electronically without having to involve a clerk. It is hoped to have such a system installed within the 1988 fiscal year.

Electric Distribution System Map



The 1986-1987 Electric Dollar

SOURCE OF REVENUE

33¢ Residential Sales
55¢ Commercial & Industrial Sales
3¢ Other Sales
6¢ Other Revenue
3¢ Sales For Resale

DISTRIBUTION OF REVENUE

55¢ Purchased Power Supply
1¢ Fuel Used For Generation
14¢ Operation & Maintenance
5¢ Transfer To City General Fund
10¢ Debt Service
15¢ Available For Additions & Replacements To The System

Water Year — 1986-1987

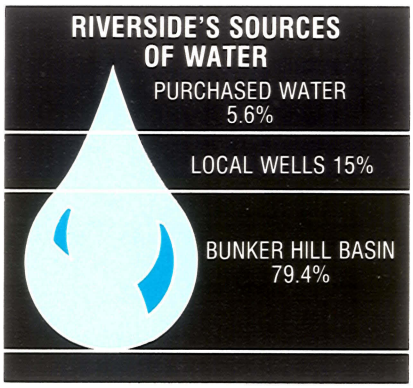
WATER SYSTEM

1986-87 HIGHLIGHTS

The comprehensive Water Supply Study was completed and has provided Riverside with an excellent guide that is being utilized to ensure adequate water supplies in the future. The most cost effective alternative is to develop local water sources rather than increase the amount of imported northern California water to meet the projected future water needs.

In order to provide good quality water to Riverside water consumers, a new well was drilled and the necessary pumping equipment and transmission main were installed during fiscal year 1986-87.

The utility agreed to participate in the construction of the 60-inch diameter Santa Ana Watershed Project Authority's (SAWPA's) Transmission Main from the Metropolitan Water District (MWD) Mills Water Treatment Plant to Van Buren Boulevard. This $2.4 million system addition will enable the purchase of treated water, when needed, to be delivered to the southern part of the City's distribution system. In addition, it is anticipated that this project will eliminate the need for a costly major transmission main.



OPERATIONS — SCADA

Work is under way to replace and enhance the existing Central Station Supervisor Control And Data Acquisition (SCADA) System. The work will include new computer and report logging equipment to facilitate the automation growth in the system. Also, microcomputer control equipment is being purchased and installed at many remote locations to control pumps and valves. The use of state-of-the-art electronic equipment has been found to be the most economic and reliable method of operating the water system.

TRANSMISSION

The utility installed 3900 feet of 16″ and 20″ transmission main to provide service to new development and to improve service to the southwest part of the city. Two booster stations were rebuilt and increased in size, improving overall system reliability.

PRODUCTION

Water Production in fiscal 1986-87 was at an all-time high of 19.5 billion gallons. Riverside-owned wells produced 17.7 billion gallons or 91 percent of the total production. Western Municipal Water District (WMWD) supplied 1.1 billion gallons and other sources supplied .7 billion gallons.

Pipeline booster station with surge towers and a reservoir in the background.

WATER SYSTEM IMPROVEMENTS

Various water system im- [illegible] accomplished [illegible] Gramercy Place [illegible] Peacock Drive [illegible] Storage Reservoir and a transmission main was also constructed within [illegible] the western [illegible] ve.

[illegible] 2 miles [illegible] and related [illegible] were installed to [illegible] condi- [illegible] ext[illegible] and for [illegible] roximate- [illegible] water mains and related equipment were installed [illegible] in new subdivi- [illegible] opers' contractors [illegible] ance with city stan- [illegible] d specifications.

[illegible] ver 750 new residential [illegible] er services and 200 new [illegible] mmercial water services were installed during the year.

Improvements were made at two existing booster pumping stations. An efficient new booster pump unit was installed at the Gratton Booster Pumping Station that has reduced energy consumption by approximately 30%. A new booster pump unit was installed at the Crest Booster Pumping Station to eliminate water pressure fluctuations within the area served by the pumping station.

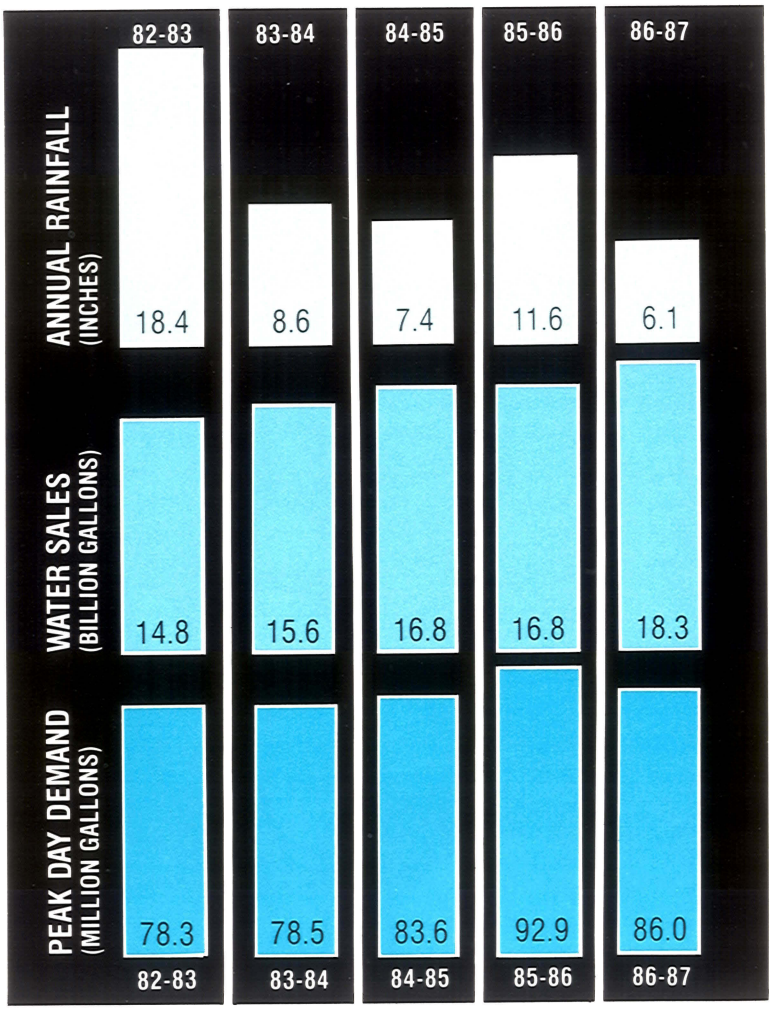
Water Year — 1986-1987

WATER QUALITY

Riverside's drinking water supply continues to exceed all State and Federal health standards. The utility annually collects and analyzes over 3,300 bacterial and chemical samples of the city's water supply, using the latest, most sophisticated testing equipment available. Specific tests for trichlorethylene (TCE) and dibromochloropropane (DBCP) have been conducted on the city's wells in accordance with statewide legislation.

City wells located in The Bunker Hill Basin and North Riverside pump water that is naturally filtered in the underlying sand and rock strata before reaching the water table which is comprised of the aquifers making up the groundwater basins. The water is of such high quality and purity that disinfection is the only needed treatment.

Water purchased from the Metropolitan Water District (MWD), during the summer months of high water demand, is pretreated and has undergone extensive testing by MWD before it is delivered to Riverside's system.



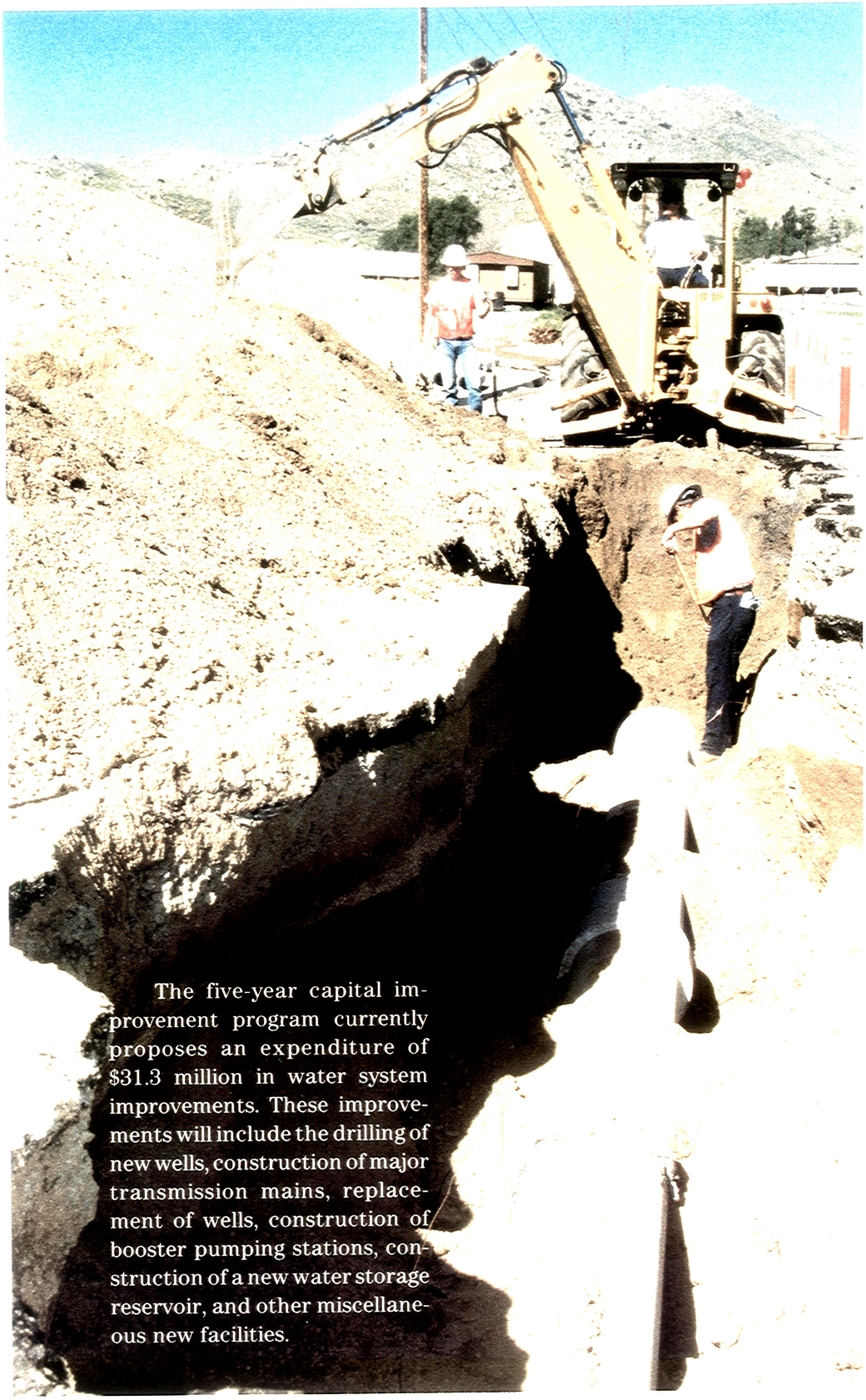
FUTURE GOALS

It is anticipated that the Water Master Plan Study will be completed by January 1988. This study will provide Riverside with a needed guide to efficiently plan and develop water system improvements such as major transmission mains, booster pumping stations, water storage reservoirs, and inter-ties with other water agencies.

Additional wells are planned in 1988, including construction of a transmission main from the new wells to the existing major transmission lines. It is anticipated that each new well will produce approximately 2,000 gallons a minute. Plans also include the construction of four wells in the Colton Water Basin with a major transmission pipeline from the wells to the existing 60″ transmission main. It is anticipated these wells will produce a total of 10,000 gallons a minute, which is projected to be needed in the early 1990's.

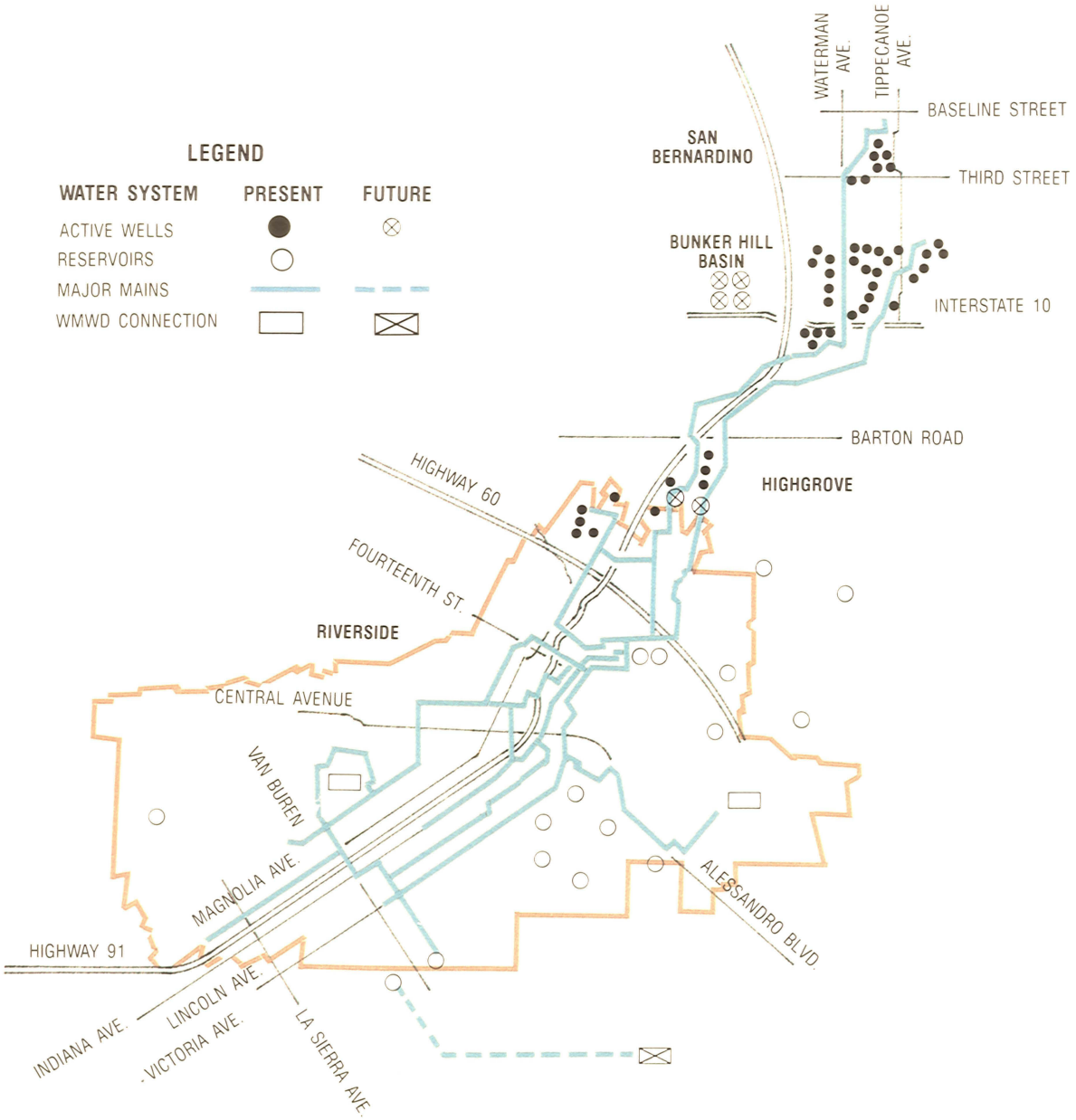
A 30″ transmission main to connect the Santa Ana Watershed Project Authority (SAWPA) Transmission Main to the existing Mockingbird Storage Reservoir is presently in the design stage.

In accordance with the Water Supply Study, various old existing wells will be replaced with new wells in the Bunker Hill Basin in the San Bernardino area. It is anticipated that within the next 20 years, eight wells will be replaced. A three million gallon water storage reservoir is planned for construction in the University City area during 1988-89.



The five-year capital improvement program currently proposes an expenditure of $31.3 million in water system improvements. These improvements will include the drilling of new wells, construction of major transmission mains, replacement of wells, construction of booster pumping stations, construction of a new water storage reservoir, and other miscellaneous new facilities.

Water Distribution System Map



The 1986-1987 Water Dollar

SOURCE OF REVENUE

53¢ Residential Sales
21¢ Commercial & Industrial Sales
4¢ Other Sales
22¢ Other Revenue

DISTRIBUTION OF REVENUE

15¢ Water Supply
39¢ Operation & Maintenance
9¢ Transfer To City General Fund
20¢ Debt Service
17¢ Available For Additions & Replacements To The System

ELECTRIC AND WATER ENTERPRISE FUNDS ANNUAL FINANCIAL REPORT FOR

FISCAL YEARS ENDING JUNE 30, 1987 and 1986

During the Fiscal Year from July 1, 1986 to June 30, 1987 the Riverside Public Utilities Electric and Water Funds experienced excellent operating results.

The Electric Fund's sales increased 6.7% to $115,358,000. The Fund's Net Income increased $34,000,000 from the prior year due to stabilized operating expenses and the recognition during the Fiscal Year 1985-86 of an extraordinary loss amounting to $17,763,000 as a result of an advance refunding of bonds. The economic gain from that refunding will be $28,650,000. The Electric Fund's assets increased during the year by $7,800,000. Capital outlay during the year was $10,000,000.

The Water Fund's sales increased 6.4% to $16,337,000 while its Net Income remained unchanged. The Water Fund's assets increased during the year by $8,000,000. Capital outlay during the year was $7,700,000.

Since the Riverside Public Utilities is part of the City of Riverside and is a political subdivision of the State of California it has no stockholders, pays no dividends, nor distributes any earnings. All Net Income is used to fund operations, stabilize rates, construct improvements, replace equipment, and reduce debt.

Exhibit 1

COMPARATIVE BALANCE SHEET

	June 30	
	1987	1986
Assets and Other Debits		
Cash and investments (Notes 2 & 13)	$ 69,683,683	$ 67,233,823
Receivables, net (Note 4)	17,051,759	15,272,800
Prepaid expenses	267,757	595,646
Deferred charges	1,243,912	1,134,477
Advances to other funds (Note 5)	505,063	505,063
Property and plant, net (Note 6)	147,041,138	144,521,455
Work-in-progress (Note 7)	15,661,626	14,389,689
Total Assets and Other Debits	$251,454,938	$243,652,953
Liabilities and Fund Equity		
Liabilities:		
Accounts payable	$ 7,852,040	$ 8,102,373
Accrued liabilities (Note 8)	579,379	392,710
Rate stabilization account (Note 9)	26,501,234	34,426,178
Liability for compensated absences (Notes 10 & 11)	2,437,235	2,167,310
Long-term obligations payable (Note 11)	151,728,752	153,304,964
Total Liabilities	189,098,640	198,393,535
Fund Equity:		
Contributed capital	16,986,226	15,305,262
Retained earnings:		
Reserved (Notes 11 & 14)	27,758,150	19,723,850
Unreserved	17,611,922	10,230,306
Total Retained Earnings	45,370,072	29,954,156
Total Fund Equity	62,356,298	45,259,418
Total Liabilities and Fund Equity	$251,454,938	$243,652,953

The accompanying notes are an integral part of this statement.

Exhibit 2

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
For the Fiscal Years Ended

	June 30	
	1987	1986
Operating Revenues:		
Charges for services	$115,358,024	$108,098,573
Rate stabilization account adjustment	7,924,944	0
Total Operating Revenues	123,282,968	108,098,573
Operating Expenses:		
Personal services	4,875,155	3,866,474
Contractual services	1,216,750	2,050,961
Maintenance and operation	81,142,612	81,566,148
General operating expenses	3,631,153	2,939,940
Material and supplies	188,152	116,962
Insurance	179,634	206,709
Depreciation	6,562,903	6,308,957
Total Operating Expenses	97,796,359	97,056,151
Operating Income (Loss)	25,486,609	11,042,422
Nonoperating Revenues (Expenses):		
Interest revenue	7,036,647	5,962,635
Sundry	169,329	31,002
Gain (Loss) on retirement of assets	(102,059)	0
Interest expenses and fiscal charges	(11,122,464)	(12,422,607)
General fund contributions	(6,052,146)	(5,537,627)
Total Nonoperating Revenues (Expenses)	(10,070,693)	(11,966,597)
Net Income (Loss) Before Extraordinary Items	15,415,916	(924,175)
Extraordinary loss on the issue of advance refunding bonds	0	(17,763,156)
Total Increases (Decreases) in Retained Earnings	15,415,916	(18,687,331)
Retained Earnings Beginning of Year	29,954,156	48,641,487
Retained Earnings End of Year	$45,370,072	$29,954,156

The accompanying notes are an integral part of this statement.

Exhibit 3

COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION
For the Fiscal Years Ended

	June 30	
	1987	1986
Sources of Financial Resources:		
Operations:		
Net income before extraordinary items (Exhibit 2)	$15,415,916	$ (924,175)
Expenses not requiring current outlay of financial resources:		
Depreciation	6,562,903	6,308,957
Total Financial Resources From Operations	21,978,819	5,384,782
Increase in liability for compensated absences	269,925	212,622
Contributed capital and grants	1,680,964	2,638,662
Bond sale proceeds	0	137,525,000
Total Sources of Financial Resources	23,929,708	145,761,066
Uses of Financial Resources:		
Acquisition of fixed assets	10,354,523	8,759,965
Retirement of long-term obligations	1,576,212	106,000,000
Extraordinary loss	0	17,763,156
Total Uses of Financial Resources	11,930,735	132,523,121
Net Increase (Decrease) in Working Capital	$11,998,973	$13,237,945
Component Elements of Net Increase (Decrease) in Working Capital:		
Cash and investments	$2,449,860	$25,025,294
Receivables and others, net	1,778,959	1,757,886
Prepaid expenses	(327,889)	(414,455)
Deferred charges	109,435	1,134,477
Accounts payable	250,333	579,347
Accrued liabilities	(186,669)	(162,424)
Rate stabilization account	7,924,944	(14,682,180)
Net Increase (Decrease) in Working Capital	$11,998,973	$13,237,945

The accompanying notes are an integral part of this statement.

Exhibit 4

COMPARATIVE BALANCE SHEET

	June 30	
	1987	1986
Assets and Other Debits		
Cash and investments (Note 2)	$ 34,257,490	$ 31,871,586
Receivables, net (Note 4)	2,686,791	2,294,848
Prepaid expenses	0	1,507
Deferred charges	169,908	179,230
Advances to other funds (Note 5)	250,100	250,100
Property and plant, net (Note 6)	78,868,971	75,648,922
Work-in-progress (Note 7)	4,959,243	2,886,532
Total Assets and Other Debits	$121,192,503	$113,132,725
Liabilities and Fund Equity		
Liabilities:		
Accounts payable	$ 469,752	$ 287,886
Accrued liabilities (Note 8)	48,008	29,956
Liability for compensated absences (Notes 10 & 11)	898,955	887,002
Long-term obligations payable (Note 11)	42,181,895	43,230,000
Total Liabilities	43,598,610	44,434,844
Fund Equity:		
Contributed capital	48,649,066	41,836,866
Retained earnings:		
Reserved (Notes 11 & 14)	5,000,373	4,998,924
Unreserved	23,944,454	21,862,091
Total Retained Earnings	28,944,827	26,861,015
Total Fund Equity	77,593,893	68,697,881
Total Liabilities and Fund Equity	$121,192,503	$113,132,725

The accompanying notes are an integral part of this statement.

Exhibit 5

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
For the Fiscal Years Ended

	June 30	
	1987	1986
Operating Revenues:		
Charges for services	$16,337,317	$15,359,391
Total Operating Revenues	16,337,317	15,359,391
Operating Expenses:		
Personal services	2,316,765	2,130,899
Contractual services	283,208	332,228
Maintenance and operation	4,445,134	3,976,097
General operating expenses	3,663,131	3,227,414
Material and supplies	254,470	129,472
Insurance	83,383	222,776
Depreciation	2,401,903	2,212,573
Total Operating Expenses	13,447,994	12,231,459
Operating Income (Loss)	2,889,323	3,127,932
Nonoperating Revenues (Expenses):		
Interest revenue	3,401,039	2,661,875
Sundry	240,840	412,341
Gain (Loss) on retirement of assets	116,276	0
Interest expenses and fiscal charges	(2,800,520)	(2,453,402)
General fund contributions	(1,763,146)	(1,667,115)
Total Nonoperating Revenues (Expenses)	(805,511)	(1,046,301)
Net Income (Loss)	2,083,812	2,081,631
Retained Earnings Beginning of Year	26,861,015	24,779,384
Retained Earnings End of Year	$28,944,827	$26,861,015

The accompanying notes are an integral part of this statement.

Exhibit 6

COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION
For the Fiscal Years Ended

	June 30	
	1987	1986
Sources of Financial Resources:		
Operations:		
Net income (Exhibit 5)	$2,083,812	$ 2,081,631
Expenses not requiring current outlay of financial resources:		
Depreciation	2,401,903	2,212,573
Total Financial Resources From Operations	4,485,715	4,294,204
Increase in liability for compensated absences	11,953	57,387
Contributed capital and grants	6,812,200	7,128,927
Bond sale proceeds	0	15,900,000
Total Sources of Financial Resources	11,309,868	27,380,518
Uses of Financial Resources:		
Acquisition of fixed assets	7,694,663	5,011,131
Retirement of long-term obligations	1,048,105	1,145,000
Total Uses of Financial Resources	8,742,768	6,156,131
Net Increase (Decrease) in Working Capital	$2,567,100	$21,224,387
Component Elements of Net Increase (Decrease) in Working Capital:		
Cash and investments	$2,385,904	$20,783,368
Receivables and others, net	391,943	197,138
Prepaid expenses	(1,507)	1,507
Deferred charges	(9,322)	(9,322)
Accounts payable	(181,866)	267,828
Accrued liabilities	(18,052)	(16,132)
Net Increase (Decrease) in Working Capital	$2,567,100	$21,224,387

The accompanying notes are an integral part of this statement.

City of Riverside
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 1987

1. Summary of Significant Accounting Policies

The City of Riverside was incorporated October 11, 1883, as a Charter City. The City operates under a Council-Manager form of Government. The City provides various services to the public including electric and water sales.

This presentation of the Electric and Water Fund financial statements represents component unit statements of the City of Riverside, Comprehensive Annual Financial Report, copies of which are on file with the Finance Department at City Hall.

The accounting policies of the City of Riverside conform to generally accepted accounting principles as applicable to governments. The more significant accounting policies reflected in the Financial Statements are summarized as follows:

A. Reporting Entity (also see Note 16).

INTERMOUNTAIN POWER AGENCY (IPA)

Riverside's share of Intermountain Power Agency (IPA) at June 30, 1987, was 7.617%. The financial transactions of IPA are not included in the City's financial statements due to the City's involvement being a take or pay contract. A condensed balance sheet of IPA at June 30, 1987, with Riverside's percentage is shown below (in thousands of dollars):

	Total	Riverside
Assets:		
Current Assets	$ 169,006	$ 12,873
Restricted Assets	2,908,614	221,549
Deferred Charges	962,906	73,345
Utility Plant	2,622,856	199,783
Total Assets	$ 6,663,382	$ 507,550
Liabilities and Fund Equity:		
Current Liabilities	$ 81,182	$ 6,184
Liabilities from Restricted Assets	1,666,662	126,950
Advances from SCPPA	20,981	1,598
Bonds Payable	4,892,596	372,669
Accumulated Net Revenue	1,961	149
Total Liabilities and Fund Equity	$ 6,663,382	$ 507,550

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY (SCPPA)

Riverside's share of Southern California Public Power Authority (SCPPA) varies by project. The financial transactions of SCPPA are not included in the City's financial statements due to the City's involvement being a take or pay contract. A condensed balance sheet of SCPPA Projects at June 30, 1987, with Riverside's percentage is shown below (in thousands of dollars):

	Palo Verde		Southern Transmission		Hoover Uprating	
	Total	Riverside 5.400%	Total	Riverside 10.164%	Total	Riverside 31.910%
Assets:						
Accounts Receivable	$ 2,859	$ 154	$ 2,662	$ 271	$ 66	$ 21
Deferred Billings	26,069	1,408	58,241	5,920		
Deferred Costs	220,045	11,882	167,084	16,982	1,212	387
Special Funds	224,520	12,124	180,395	18,335	31,464	10,040
Utility Plant	617,566	33,349	633,013	64,339	3,064	978
Total Assets	$1,091,059	$ 58,917	$1,041,395	$ 105,847	$ 35,806	$ 11,426
Liabilities and Fund Equity:						
Current Liabilities	$ 51,724	$ 2,793	$ 41,839	$ 4,253	$ 1,513	$ 483
Long-Term Debt	1,039,335	56,124	999,556	101,594	34,293	10,943
Total Liabilities and Fund Equity	$1,091,059	$ 58,917	$1,041,395	$ 105,847	$ 35,806	$ 11,426

B. Basis of Presentation — Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenses, as appropriate. Government resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Enterprise Funds — The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

The Electric and Water Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings	50 years
Improvements	20-50 years
Equipment	4-15 years

D. Basis of Accounting

The Electric and Water Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Unbilled electric and water service charges which are billed on monthly cycle billings are recorded at year end and reflect on the balance sheet as unbilled accounts receivable (see Note 5). The Electric Utility's Rates, Rules and Regulations provide for a rate stabilization formula which is included in customer billings to reflect variations in the cost of power to the Electric Utility. The Electric Utility adjusts revenues from the sale of electricity for over collections or under collections of revenues resulting from differences between the Electric Utility's actual cost of power and the amount billed to customers through the billing formula. These over or under collections are recorded in the rate stabilization accounts until they are refunded to, or recovered from utility customers.

2. Cash and Investments

The cash available for investments at June 30, 1987 (in thousands of dollars) for the Electric Fund was $69,684 and $34,257 for the Water Fund. See: City of Riverside's Comprehensive Annual Financial Report for fiscal year ended June 30, 1987, Note 3.

Investments are stated at cost, which was less than market value at June 30, 1987. If market values decline below cost, no loss is recorded as such declines are considered temporary. Cash accounts of all funds are pooled for investment purposes, in order to maximize interest earnings. Interest earnings become revenue to the electric and water funds for their prorata share of investments. The City transfers cash to its bond fiscal agent for all debt service requirements on or before due dates.

3. Inventory

Central Stores Inventory

The City uses the Internal Services Fund Central Stores to control, purchase and issue all expendable supplies which are stated at average cost. The costs are recorded as expenditures at the time the individual items are consumed.

4. Other Accrued Revenue Receivable, net (in thousands of dollars)

The other accrued revenue receivable consists of the following receivables:

	Electric Fund	Water Fund
Receivables		
Accounts receivable	$ 11,739	$ 1,439
Unbilled accounts	4,187	702
Accrued interest	1,126	546
Total	$ 17,052	$ 2,687

5. Interfund Advances Receivable

Interfund advances receivable are presented as follows (in thousands of dollars):

	Central Stores Internal Services Fund
Fund Type	
Enterprise Fund:	
Electric	$ 505
Water	250
Total	$ 755

6. Fixed Assets (in thousands of dollars)

	Electric Fund	Water Fund
Land	$ 847	$ 8,319
Buildings and Improvements	1,631	1,326
Improvements other than Buildings	189,382	95,645
Machinery and Equipment	2,398	2,584
Total	194,258	107,874
Less accumulated depreciation	(47,217)	(29,005)
Net	$ 147,041	$ 78,869

7. Work in Progress, valued at cost (in thousands of dollars)

	Electric Fund	Water Fund
Construction	$ 8,355	$ 4,959
Nuclear fuel inventory	6,756	
Nuclear plant spare parts inventory	551	
Total	$ 15,662	$ 4,959

8. Other Accrued Liabilities

The other accrued liabilities consist of the following payables (in thousands of dollars):

	Electric Fund	Water Fund
Payroll	$ 111	$ 48
Decommission liability	468	
Total	$ 579	$ 48

9. Rate Stabilization Account

During the 1984-85 Fiscal Year, the City adopted Statement of Financial Accounting Standards No. 71, issued by the Financial Accounting Standards Board. In accordance with the provisions of this statement, revenues from the sale of electricity are adjusted by the change in the level of the Rate Stabilization Account.

10. Compensated Absences

The accompanying financial statements include accruals for salaries, fringe benefits, and compensated absences due employees at June 30, 1987. Compensated absences are considered long-term liabilities.

City employees receive from ten to twenty-five days vacation each year depending upon length of service. Vacation can be accumulated as of January 1 to a maximum not to exceed accumulation of two years continuous service. Unused vacation may be redeemed in cash upon termination of employment.

City employees receive one working day of sick leave for each month of employment or major portion thereof with unlimited accumulation for unused sick leave. Employees who terminate for reasons other than retirement or death lose all accumulated sick leave. Upon retirement or death, unused sick leave is paid in cash at the rate of 25% after five years employment and 50% after ten years employment. Employees hired in the general bargaining unit after July 1, 1979 cannot redeem any unused sick leave.

11. Long-Term Obligations

The following is a summary of changes in long-term obligation transactions of the electric and water funds for the year ended June 30, 1987 (in thousands of dollars):

	Balance Beginning of Year	Increase	Deductions	Balance End of Year
Electric				
Contracts payable	$ 40	$ 81	$ 7	$ 114
Compensated absences	2,167	270		2,437
Revenue bonds payable	153,265		1,650	151,615
Total	$ 155,472	$ 351	$ 1,657	$154,166

The annual requirements to amortize all debt outstanding (except compensated absences) as of June 30, 1987, including interest payments of $179,581 are as follows (in thousands of dollars):

	1988	1989	1990	1991	1992	Thereafter	Total
Contracts payable	$ 30	$ 30	$ 30	$ 30	$ 30	$ -0-	$ 150
Revenue bonds payable	13,225	13,181	13,131	13,064	13,012	265,547	331,160
Total	$ 13,255	$ 13,211	$ 13,161	$ 13,094	$ 13,042	$ 265,547	$ 331,310

	Balance Beginning of Year	Increase	Deductions	Balance End of Year
Water				
Contracts payable	$ 1,845	$ 257	$ 125	$ 1,977
Compensated absences	887	11		898
Revenue bonds payable	41,385		1,180	40,205
Total	$ 44,117	$ 268	$ 1,305	$ 43,080

The annual requirements to amortize all debt outstanding (except compensated absences) as of June 30, 1987, including interest payments of $36,179 are as follows (in thousands of dollars):

	1988	1989	1990	1991	1992	Thereafter	Total
Contracts payable	$ 163	$ 163	$ 163	$ 163	$ 163	$1,755	$ 2,570
Revenue bonds payable	3,936	3,892	3,899	3,890	3,886	56,288	75,791
Total	$ 4,099	$ 4,055	$ 4,062	$ 4,053	$ 4,049	$ 58,043	$ 78,361

LONG-TERM OBLIGATIONS AT JUNE 30, 1987 (in thousands of dollars)

Electric Fund

Contracts payable consists of lease purchase equipment principal to offset recorded fixed assets at cost.	$ 114
Total Contracts Payable Electric	$ 114

Water Fund

Contracts payable consists of lease purchase equipment principal to offset recorded fixed assets at cost and stock acquisition capitalized in the Water Fund through 2004; interest at 10.0%	$ 1,977
Total Contracts Payable Water	$ 1,977

Compensated Absences:

VACATION AND SICK LEAVE ACCRUAL

ELECTRIC FUND

The noncurrent portions of the electric funds' accumulated vacation and sick leave accrual is being reported in the electric fund. For the fiscal year ended June 30, 1987, the noncurrent portions of the accrual are: vacation leave — $542; and sick leave — $1,895.	$ 2,437

WATER FUND

The noncurrent portions of the water funds' accumulated vacation and sick leave accrual is being reported in the water fund. For the fiscal year ended June 30, 1987, the noncurrent portions of the accrual are: vacation leave — $190; and sick leave — $708.	$ 898

Bonds payable at June 30, 1987 are comprised of the following individual issues:

Revenue Bonds:

Electric

$80,000,000 1980 Electric Revenue serial bonds due in annual installments from $525,000 to $1,215,000 through October 1, 1994; interest from 8.1% to 10.0% (Portion not refunded)	$ 6,650
$9,070,000 1980 Electric Revenue Refunding serial bonds due in annual installments from $125,000 to $470,000 through October 1, 1995; interest from 8.1% to 10.0% (Portion not refunded)	3,270
$35,000,000 1983 Electric Revenue serial bonds due in annual installments from $270,000 to $680,000 through October 1, 1995; interest from 8.5% to 10.5% (Portion not Refunded)	4,415
$16,500,000 1985 Electric Revenue serial bonds due in annual installments from $245,000 to $650,000 through October 1, 2000; interest from 6.0% to 8.3% and $4,155,000 8.4% Term Bonds due October 1, 2005 @ 99% and $6,235,000 8.5% Term Bonds due October 1, 2010 @ 99%	16,255
$121,025,000 1986 Electric Revenue Refunding Series A serial bonds due in annual installments from $660,000 to $4,740,000 through October 1, 2001; interest from 4.5% to 6.8% and $15,705,000 7% Term Bonds due October 1, 2004 @ 100% and $68,910,000 7% Term Bonds due October 1, 2013 @ 99%	121,025
Total Electric	$ 151,615

Water

$1,000,000 1960 Water Revenue Series 2 serial bonds due in annual installments from $25,000 to $40,000 through February 1, 1996; interest from 3.5% to 5.0%	$ 335
$3,500,000 1967 Water Revenue Series A serial bonds due in annual installments from $75,000 to $130,000 through June 1, 2002; interest from 4.0% to 6.0%	1,730
$1,500,000 1969 Water Revenue serial bonds due in annual installments from $50,000 through December 1, 1999; interest from 6.4% to 8.0%	650
$5,000,000 1972 Water Revenue serial bonds due in annual installments from $60,000 to $325,000 through May 1, 2002; interest from 3.0% to 7.0%	3,455
$6,900,000 1973 Water Revenue serial bonds due in annual installments from $80,000 to $435,000 through August 1, 2003; interest from 5.1% to 6.5%	5,150
$5,000,000 1974 Water Revenue serial bonds due in annual installments from $60,000 to $310,000 through December 1, 2004; interest from 7.0% to 8.0%	3,805
$2,000,000 1976 Water Revenue serial bonds due in annual installments from $25,000 to $145,000 through February 1, 2006; interest from 5.7% to 8.5%	1,575
$3,000,000 1977 Water Revenue serial bonds due in annual installments from $40,000 to $225,000 through February 1, 2007; interest from 4.9% to 8.0%	2,430
$6,600,000 1978 Water Revenue serial bonds due in annual installments from $90,000 to $410,000 through April 1, 2008; interest from 5.0% to 7.0%	5,410
$5,845,000 1985 Water Revenue serial bonds due in annual installments from $235,000 to $625,000 through October 1, 2000; interest from 6.0% to 8.4% and $4,010,000 8.5% term bonds due October 1, 2005 @ 99% and $6,045,000 8.6% term bonds due October 1, 2010 @ 99%	15,665
Total Water	$ 40,205

The following debt service reserves are available at June 30, 1987 (in thousands of dollars):

Electric Fund	$ 17,758
Water Fund	$ 5,001

Included in the aforementioned amounts are the following debt service requirements (in thousands of dollars):

	Debt Service Ratio Required	Actual Debt Service Ratio	Requirements
Electric Fund	1.25	3.1	$ 17,758
Water Fund	1.50	2.3	5,001
Total			$ 22,759

There are also a number of limitations and restrictions contained in various bond indentures. The City is in compliance with all significant limitations and restrictions.

12. Self-Insurance Program

The City of Riverside has been 100% self-insured since January 1986 for general liability. The City has other coverages as listed below:

a. All property and contents insurance with a coverage of $94,668,800 with a self-insured deductible of $5,000.

b. Automotive vehicle fire/theft and comprehensive insurance with a coverage of $4,000,000 with a self-insured deductible of $1,000,000.

c. Boiler and Machinery general liability insurance for the City Hall and Raincross Square with coverage of $1,000,000 and self-insured deductible of $250. All other locations have a coverage of $500,000 and self-insured deductible of $250.

d. Workers' compensation insurance coverage of unlimited amount with a self-insured deductible of $1,000,000.

The total insurance claims liability reflected in the City of Riverside's Comprehensive Annual Financial Report for fiscal year ended June 30, 1987, is $895,654, as established by the City's contract insurance administrators.

13. San Onofre Nuclear Generating Station Decommission Liability

The City is required by agreement to establish a reserve for the decommissioning of the power plant and restoration of the beach front at San Onofre. The City recognizes its 1.79% share of the present value of decommissioning costs of $200,000,000 as estimated by Southern California Edison engineers, by funding the reserve over the 30 year life of the plant. The City presently has $468,293 cash and investments set aside of its $3,580,000 estimated share of the decommission cost.

14. Retained Earnings Reserves

Reserves:

The various reserves established as of June 30, 1987, are described and tabulated as follows (in thousands of dollars):

Reserve	Electric Fund	Water Fund
Debt Service	$ 17,758	$ 5,001
Rate Stabilization	10,000	
Total	$ 27,758	$ 5,001

RESERVE FOR DEBT SERVICE

This reserve is established for cash restricted for future debt service requirements.

RESERVE FOR RATE STABILIZATION

This reserve was established pursuant to City Council action to further help stabilize the need to increase electric rates.

15. Litigation

Dispute Over Cost of Acquisition of City's Ownership Interest

On October 1, 1982, Edison billed the City in the amount of approximately $4,433,000, covering amounts claimed to be due to Edison for (i) recapture of investment tax credit; (ii) additional administrative and general expense; (iii) certain ad valorem taxes; (iv) interest on the foregoing items, related to the City's purchase of SONGS.

On April 14, 1983, Edison filed a complaint against the City in the Los Angeles County Superior Court seeking to recover the unpaid sum referred to in the preceding paragraph. Edison also seeks a declaration of the rights of Edison and the City regarding the disputed amounts under the Settlement Agreement and the Participation Agreement, as amended, and a declaration that the City's failure to reimburse Edison for the disputed amounts constitutes an anticipatory breach and repudiation of such Agreements. The City believes that it does not owe Edison the amounts sought by the complaint. The City intends to contest the matter.

Other Litigation

City of Anaheim, et al. v. Southern California Edison Company

On March 2, 1978, the Cities of Anaheim, Riverside, Banning, Colton and Azusa filed an action in the Federal District Court for the Central District of California alleging that Edison was involved in a conspiracy to restrain and monopolize trade and price discrimination, all in violation of the Sherman Antitrust Act and the Robinson-Patman Price Discrimination Act. On or about May 5, 1978, Edison filed motions for a more definite statement, to dismiss the complaint for failure to state a claim, or in the alternative, to stay the action. The District Court denied Edison's Motion to Dismiss, but stayed in the case pending the Federal Energy Regulatory Commission's decision in Docket Nos. ER 75-205, E-7796 and E-7777. The District Court lifted the stay on September 10, 1979, to permit discovery on certain matters. On February 10, 1980, the District Court vacated the stay entirely. On November 29, 1979, Edison filed its Answer and Counterclaim requesting damages in an unspecified amount.

The City believes, based upon the allegations contained in the Counterclaim, which allegations, constitute the factual basis for such belief, that the Counterclaim of Edison is without merit. The parties are currently awaiting the judge's decision.

Rate Cases and Other Proceedings

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

As of June 30, 1987, the City was involved in a number of other damage suits being asserted against the City, in which claims range from minor to substantial amounts. In the opinion of City administration, these actions should not have a significant effect on the financial position of the funds of the City.

16. Commitments

A. The City of Riverside Electric Department has entered into a Power Sales Contract with the Intermountain Power Agency (IPA) for delivery of electric power.

Each Purchaser has covenanted in its Intermountain Power Project (IPP) Power Sales Contract to establish, maintain and collect rates and charges for the electric service it furnishes so as to provide revenues which, together with its available electric system reserves, are sufficient to enable it to pay to IPA all amounts payable under its IPP Power Sales Contract and to pay all other amounts payable from, and all lawful charges against or liens on, its electric system revenues.

The Purchasers' obligations, which are several and not joint, to make payments of Monthly Power Costs under their respective Power Sales Contracts, are not subject to reduction or offset if the Project is not completed, operating or operable or if its output (and as a result, the capacity available to each of the Purchasers) is suspended, interrupted, interfered with, reduced or curtailed or terminated in whole or in part. In addition, the Purchasers' payment obligations under the Power Sales Contracts are not conditioned upon the performance by IPA or any other party (including any other Purchaser) or contractual or other obligations and are not subject to any reduction or offset in the event of any default by IPA in the performance of its obligations under the Power Sales Contracts.

The term of Power Sales Contract has commenced and will end on June 15, 2027, unless terminated sooner in accordance with the provisions for termination amendment.

The City has a "take-or-pay" agreement of 7.617% on two 800 MW generating units.

B. In 1980 the City purchased a 1.79% interest in two 1,100 MW nuclear generating units known as San Onofre Nuclear Generating Station Units 2 and 3 (SONGS).

Pursuant to a Settlement Agreement dated August 4, 1972, with Southern California Edison (Edison), the City was granted the right to acquire a 1.79% ownership interest in SONGS with Edison providing the necessary transmission services to the City to deliver the output of SONGS to the City. Edison and the City have signed the SONGS Participation Agreement which sets forth the terms and conditions under which the City will participate in the ownership and output of SONGS. The City has also signed an Integrated Operations Agreement (IOA) and a Supplemental Agreement for the Integration of Riverside's entitlements in SONGS with Edison which provides, among other things, for the operation of SONGS by Edison for the benefit of the City. Under the IOA, Edison will continue to supply the City's power and energy requirements over and above the capability of the City's share of SONGS and any future City owned resource and will credit the City on its monthly billing statements for the power and energy generated by such resources that are integrated with Edison resources.

Ownership in SONGS is shared by Edison, San Diego Gas & Electric, the City of Anaheim, and the City of Riverside. Each of the parties is entitled to its proportioned share of benefits and proportioned share of the burdens incurred by Edison and San Diego in the performance of their duties for the construction, operation, and maintenance of Units 2 and 3 and the common facilities.

There are no separate financial statements for this joint venture since each participants' interest in utility plant and operating expenses are included in their respective financial statements.

C. **Southern California Public Power Authority (SCPPA)**

The City and other public agencies in Southern California are members of a joint powers authority, the Southern California Public Power Authority. As currently contemplated, SCPPA would provide for the financing and construction of electric generating and transmission projects for participation by some or all of its members. To the extent the City participates in the projects developed by SCPPA, the City will be obligated for its proportionate share of cost of the projects on a "take-or-pay" basis.

SCPPA has purchased from the Salt River Project Agricultural Improvement and Power District (Salt River Project) a 5.91% interest in Palo Verde Nuclear Generating Station (PVNGS) located in Arizona and a 6.55% share of the right to use certain portions of the transmission rights of the Arizona Nuclear Power Project Valley Transmission System. The City and SCPPA have executed a Power Sales Contract under which the City is entitled to a 5.4% entitlement of SCPPA Project Entitlement that also carries the obligation of monthly payments on a "take-or-pay" basis. The City signed a supplemental agreement with Edison which will provide for the integration of its Project Entitlement pursuant to the terms of the IOA.

The City has executed a feasibility study agreement with SCPPA pursuant to which SCPPA, Salt River Project, M-S-R Public Power Agency, and the Western Area Power Administration are studying the feasibility of constructing, owning and operating the Mead-Phoenix DC Intertie Project. SCPPA has issued a note in the principal amount of $11.3 million to finance a portion of the costs of such study and may issue an additional $3.2 million note for that purpose. Such note is payable from the proceeds of long-term bonds to be issued by SCPPA for the Mead-Phoenix DC Intertie Project or from payments by the participants under project development agreements on the basis of project entitlement shares. SCPPA would finance the Mead-Phoenix DC Intertie Project from the proceeds of long-term bonds secured by payments to be made by the participants under transmission service contracts. SCPPA's present interest is 93.75%. The City's entitlement share of this interest is 3.75%.

The City has entered into an agreement with SCPPA, whereby SCPPA will issue long-term debt to finance SCPPA's interest in the capacity upgrading of the Hoover Dam generating facilities. This agreement will provide that the City be entitled to approximately 30 MW of peaking capacity and the associated energy from the project on a take-or-pay basis from SCPPA.

D. The City has taken advantage of a special condition in the Partial Requirements wholesale rate schedule (R 4.1) with Southern California Edison (SCE) to enter into two firm Power Sales Agreements to offset demand and energy charges from SCE at rates substantially below the current and estimated future SCE rates.

The agreements are with:

(1) Deseret Generation and Transmission Cooperative of Sandy Utah for a fixed price purchase of 46.7 MW of firm system capacity and energy for a period of eight years commencing on January 1, 1987.

(2) Pacific Gas and Electric Company for a 5 MW firm system sale of capacity and energy. The agreement has an initial term of 18 months and is renewable annually thereafter.

Sale and acceptance of capacity and energy under both agreements is contingent upon availability of transmission facilities.

E. Feasibility Studies

The City currently is involved in feasibility studies for co-funded generation facilities that have a long-term potential of adding up to 132 MW of generating capacity to the electric system. These projects include the White Pine Coal Facility, Feather River Hydro, Haas-Kings River Hydro, several cogeneration and renewable resource projects. Other than the feasibility studies, the City is not obligated for any participation in any of these projects. The City is also studying the feasibility of participation in one or more of a number of transmission projects which would permit the City to purchase surplus capacity and energy, enter into seasonal interchanges of capacity and energy and to market City seasonal surpluses throughout the Western United States.

Independent Auditor's Opinion

THOMAS, BYRNE & SMITH
AN ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

Donald L. Thomas, C.P.A.
D. Richard Byrne, C.P.A.
V. C. Smith, Jr., C.P.A.
Allen C. Harrison, C.P.A.

4362 Orange Street
Riverside, California 92501
(714) 682-4851

December 11, 1987

The City Council
City of Riverside
Riverside, California

We have examined the financial statements of the Electric and Water Enterprise Funds of the City of Riverside, California, as of and for the years ended June 30, 1987 and 1986. Our examination was made in accordance with generally accepted auditing standards and, accordingly, includes such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described more fully in Note 1, the financial statements present only the Electric and Water Enterprise Funds and are not intended to present fairly the financial position and results of operations of the City of Riverside, California, in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly the financial position of the Electric and Water Enterprise Funds of the City of Riverside, California, at June 30, 1987 and 1986, and the results of those Funds operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THOMAS, BYRNE & SMITH
An Accountancy Corporation

D. Richard Byrne

By: D. Richard Byrne

Public Utilities Employees

Antoine S. Abu Shabakeh
Ernest W. Adams
Wendy F. Adams
Richard C. Aguilera
David A. Alfaro
Arthur V. Anaya
Clarence B. Anderson
Kenneth A. Anderson
Leon J. Archambault
Guillermo Armenta
Alfred Arredondo
Robert S. Ayers, Jr.
Nora L. Aylward
Helen M. Azevedo
Mary S. Babin
Charles F. Baldwin
Michael J. Baldwin
Del R. Ballard
Frederick H. Barkley
Robert E. Barnekow
Ron W. Barry
Vahid Bazel
Ronald E. Becker
William D. Bedford, Jr.
Francis L. Beliveau
Harold J. Bell
Walter N. Bell, Jr.
Gary L. Bender
Dwight H. Benner
Bruce C. Benter
Trent W. Blair
Charles R. Bluemel
Craig W. Bostrom
Fernand R. Boucher
Gregory J. Bowers
Robert D. Bowes
Brian G. Bozarth
Robert Bracken
Thomas G. Bradshaw
Jeanette E. Brown
Michael E. Brown
Patrick D. Brown
Robert H. Brown
Willie L. Brown
Lindsay D. Bruce
Margaret A. Bruckner
Robert T. Buell
Gerald R. Burton
David W. Butler
Jerry G. Byrd
Debra J. Camacho
Randell S. Carder
Maria A. Carlton
Bill D. Carnahan
Carlos Castro
Leon Chagolla
Ami R. Chaudhury
Joseph Chavez
Joseph S. Chavez
Thomas K. Clarke
Jeffrey D. Clausen
Danny L. Clemons
James E. Coleman
Donald J. Colgan
Thomas J. Collins
Linda S. Conerly
Mark S. Connor
Cecil T. Cox
Glenn M. Cox
Harrison P. Crim
Arnold J. Cruz
Jackie L. Cunningham
Landon R. Curlee
Carl R. Danzek
James H. Deal
Robert Delgado
John T. Denham
Gregory M. Diaz
Peter E. Diaz
Roland R. Diaz
Richard J. Dickinson
Kerry W. Dittler
Richard W. Dolenar
Patricia J. Doonan
Russell J. Doose
Malcolm N. Duckett
John J. Enderson
Mark S. Ensign
John A. Erickson
William E. Fagan
Scott L. Faust
Ronald T. Fiske
Frank R. Fitzgerald
Cindy L. Folsom
Ronald D. Frost
Gerald A. Gandara
David V. Garcia
Raoul B. Garcia
Stella L. Garcia
Yolanda C. Garcia
Steven V. Garcia
Thomas D. Garcia
Joseph A. Garozzo
Richard Gastelum
Paul R. Gearhart
Thomas R. Gibbins
George F. Gielish
Robert B. Gill
Arthur P. Gomez
Daniel M. Gomez
Veronica Gomez
Janet M. Good
Elvin L. Gover
James G. Grady
Marilyn J. Grayston
Richard J. Greenwalt
Bacilio Gutierrez, Jr.
Luciano Guzman
Ronald J. Ham
William L. Hannah
Patrick B. Hannifin
Edward P. Hansen
James H. Harmon
Robert W. Harper
Sherwin L. Harris
William W. Harris, Jr.
Wanda F. Hedlund
Alfred W. Heinen
Jack P. Henry
Patricia J. Henwood
Juan R. Hernandez
Victor H. Hernandez
Richard A. Hinojosa
Edward K. Hogerty
Keith A. Hoover
James T. Hornbarger
Richard W. Houser
Woodrow Hoye
Margaret J. Huffaker
Gloria M. Humphrey
Kenneth L. Humphrey
Roger L. Hunt
Daniel Hurtado
Tam T. Huynh
Marvin L. Infante
Roger S. Jackson
Nicolaas J. Jacobs
Lester W. Jameson, Jr.
Raymond G. Jaure
John N. Johnson
Sam R. Johnson
Wayne L. Johnson
Robert A. Joranco
Chris A. Joranco
Cheryl E. Juliussen
Jesse K. Kent
Andrew J. Kirkland, Jr.
David R. Knapp
Gus W. Knie
Peggy J. Koskie
Edward L. Kostjal, Jr.
Pamela M. Lawrence
David C. Lawson
Ruben M. Leivas
Jeffery J. Lewis
Frank A. Lindholm
Thomas R. Lindsay
David M. Little
Connie L. Lizarraga
Lydann R. Lord
Robert L. Lovell
Henry A. Loya
Robert L. Lucas
Michael H. Luitwieler
Tom D. Macklin
Tammy J. Mader
Arthur P. Madril
George E. Manuel
Barry W. Marshall
Tommie Marshall
Robert L. Martin
Peggy I. Mayer
Daniel L. McClenathan
Kurt McDonald
Margery I. McDowell
Lois G. McGinnis
Richard D. McGrath
Kenneth B. McGregor
Jeffrey K. McKown
Martin W. McLeod
Richard K. McKinny
David M. McLellan
Larry D. Meester
Ismael E. Mercado
Madalyn M. Mieldazis
Eddie R. Milholland

Claudie R. Miller
Donald P. Miller
Roy A. Miller
Kevin S. Milligan
William K. Modesitt
Odell Moncrief
Arthur R. Montano, II
Robert A. Montano
Carol A. Morabito
Ray D. Neal, Jr.
Peter Nesic
Richard S. Nevarez
Rita Nicks
Barry J. Niemiec
Aileen M. Noel
Randall W. Olgren
Charles Olivier
Darrell R. Otjen
Dean C. Ott
Dwight W. Page
Joan C. Page
Cecil R. Parker, Jr.
Clyde B. Parker
Gilbert L. Penunuri
Gilbert S. Penunuri
Charlie R. Penunuri
Rey M. Perez
Maurice Pierce
Donald R. Pim
Davis N. Plourde
David J. Porchia
Gregory L. Prator
Daryl A. Proctor
Donald R. Pulsifer
Daniel W. Randall
Jack C. Read
David L. Redding
Linda C. Rhoads
Jeffrey J. Richardson
Mildred A. Ridges
Donald G. Ringgold
Harry T. Robertson
George W. Robyn
Linda L. Rocha
Charles E. Rocci
Michael A. Rodgers
Max A. Rodriguez
Linda K. Rogan
Donald C. Rogers
John E. Rolwes
Daniel S. Romano
James F. Ruel
Richard M. Ryno
Adrian Saint
Angel H. Sanchez
Isac J. Sanchez
Lawson R. Satterfield
Barbara A. Savard
Samuel L. Scarcello
Donna K. Schick
Delbert L. Schroeder
Faye L. Schuman
John B. Schwartz
Mark E. Scribner
Daniel D. Shackelford
Omar E. Shehab
John M. Shepherd
Candice C. Shih
Anthony Siegfried
Brian Simpson
Dennis G. Sims
Richard H. Skelton
David A. Smart
Dale F. Smith
Jerry L. Smith
Nancy A. Smith
Sandra L. Smith
Edward M. Spinney
Robert B. Spires
Lee H. Stallberg
Lucinda Staudt
Peggy J. Stephan
Donald Stewart, Jr.
Kevin P. Stinson
Troy F. Stinson
Dennis J. Stirlen
Terry L. Stroud
Charlotte M. Swanton
Maurice S. Taks
Alvin M. Tannenbaum
Bruce C. Taylor
Joseph M. Tenenbaum
Diane J. Tepper
John S. Terrell
Robert L. Thomas
Robert E. Tittle
Michael J. Torelli
Abraham Torres
Joey M. Toth
Richard L. Trower
Robert W. Truesdell
Adrian A. Valdez
Victor G. Velasquez
Karol L. Veu Casovic
Clarence R. Voll, Jr.
Roger J. Wagner
Theresa S. Waldschmitt
Richard W. Wayman
Edward M. Wdowiak
Earl L. Webb
Carl A. Weingartner
Alfred H. Wells
Joe E. Westmoreland
Paul O. Westover, Jr.
Mary T. Whaley
Michael R. White
Ronald J. White
Walter L. White
David J. Whiting
William Whitten
Beverly J. Williams
Daniel V. Williams
Phyllis J. Williams
Brian R. Willis
David C. Wilson
Dieter P. Wirtzfeld
Alan P. Wohlfarth
Merle C. Wolff
Ralph F. Wollerton
Roberta A. Womack
Ben G. Wong
James N. Wysong
Edward B. Young
Leonard W. Zabloudil