

RIVERSIDE
PUBLIC UTILITIES

1895 - 1995



100 Years of Electric Service

A Colony for California.

The undersigned, in association with personal friends and correspondents in the North and West, as well as with a considerable number of good people in different states of the South, is now engaged in organizing a Colony for settlement in Southern California, on or near the line of the Southern Pacific Railroad.

Appreciating the advantages of associated settlement, we aim to secure at least 100 good families, who can invest \$1,000 each, in the purchase of land; while at the same time we earnestly invite all good, industrious people to join us, who can, by investing a smaller amount, contribute in any degree to the general prosperity. We do not expect to buy as much land for the same money, in Southern California, as we could obtain in the remote parts of Colorado or Wyoming; but we expect it will be worth more, in proportion to cost, than any other land we could purchase within the United States. It will cost something more to get to California than it would to reach the States this side of the mountains; but we are very confident that the superior advantages of soil and climate will compensate us many times over this increased expense.

Experience in the West has demonstrated that \$100, invested in a colony, is worth \$1000 invested in an isolated locality.

We wish to form a colony of intelligent, industrious and enterprising people, so that each one's industry will help to promote his neighbor's interests, as well as his own. It is desirable, if possible, that every one shall be consulted in regard to location and purchase; but since those who will compose the colony are now scattered from Maine to Texas, and from Georgia to Minnesota and Nevada, this seems next to impossible. For this reason it is proposed that some men of large means, who are interested in the enterprise, shall, in connection with as many as can conveniently act with them, select and purchase land sufficient for a colony of 10,000 persons. Let this be sub-divided and sold to the subscribers at the lowest figure practicable, after paying the expenses of purchase and sub-division. We hope in this way to arrange it so that each individual shall receive his title when he pays his money and commences in good faith to improve his property. It is also proposed to lay out a Town in a convenient locality, so that as many of the subscribers as possible can reside in the Town and enjoy all the advantages which a first class Town affords. We expect to have Schools, Churches, Lyceum, Public Library, Reading-room, etc. at a very early day, and we invite such people to join our colony as will esteem it a privilege to build them.

Many who wish to join the colony have not yet the money in hand to defray traveling expenses, and pay the full price for their land at once. We hope to make arrangements for the accommodation of all such, so that they can pay a part down, and the balance in yearly installments with interest. Each subscriber will be allowed to purchase 100 acres of farming land and two Town lots – or a less amount if desired. It is expected that every subscriber will reside upon and improve his property, within one year of the time of subscribing, otherwise he will lose his rights as a member of the colony.

All persons of good character, signifying, in writing, their wish to become members of the colony, and sending ten dollars as a location fee, will be regarded as subscribers. Those writing for information, who are not subscribers, will be expected to enclose one dollar toward defraying the expenses of circulars and correspondence.

Those who wish to join the colony from New England are requested to write and send their names to Rev. S.W. BUSH, "*Bureau of Emigration*," 26 Channey St. Boston.

Those in the middle and Southern States, are requested to write me at *Dewitt, Onondaga County N.Y.*

Those in Michigan, Indiana, Illinois and Wisconsin will please write: DR. J.P. GREVES, *Marshall, Mich.*

Those who wish to join the colony from Minnesota and Iowa, are invited to write me at *Dewitt, Onondaga Co. N.Y.* or to DAVID H. FROST, ESQ. *Belle Plaine, Iowa*. We hope to make up a party of subscribers to visit California in May next, and determine on a location. It is desirable that the subscribers in each of the above localities should be represented in that party. We wish to secure early and prompt action, with as little machinery and routine as possible. We wish to secure all the advantages of a good colony, with as few preliminary conditions, and restrictions, as is consistent with the best success. We invite the earnest co-operation of all good people, who wish for homes in that land that the early Missionaries thought "fit for the abode of Angels." (*Los Angeles*.)

All who wish to join us are requested to send in their names as early as possible, and before the first of July next. Further arrangements will be made as soon as we can confer with subscribers.

J.W. NORTH

KNOXVILLE, TENN., MARCH 17, 1870

THE ORIGINAL DOCUMENT LEADING TO THE
FOUNDING OF RIVERSIDE.

DIRECTOR'S MESSAGE



When Thomas Edison first created the incandescent light bulb, it didn't take long for the inventor to become a businessman. Edison turned his experiments into the Pearl Street electricity plant that gave New York City its first street lamps. That was 1882.

Less than 15 years later and 3,000 miles away, the citizens of Riverside created a public utility to ensure the fair and efficient distribution of electricity. Since its inception in 1895, Riverside Public Utilities has operated a system that continues to meet the increasing demands for electricity and water with creative thinking, innovative technology and financial savvy. It's a system that's worked for 100 years.

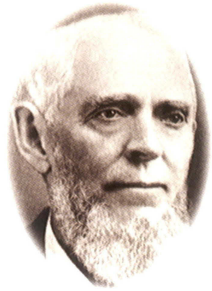
Ten decades of challenges have given our organization the wisdom that can only be gained from experience. Today, Riverside Public Utilities is a part of history, thanks to early civic leaders who stood steadfast in their belief in a public utility system. The foresight of these individuals and the voters that backed them should not be taken lightly.

Today, Riverside Public Utilities faces new challenges. We have to be willing to make bold decisions about new technologies and strategies that no one has yet made. We have to exercise the vision and fortitude that will enable us to provide quality service at competitive rates for the next 100 years. We must be confident that our decisions will prove as wise and sound as those made in 1895. For it is in our ability to take the initiative, embrace new ideas and meet challenges head on so that Riverside Public Utilities will not only survive the unknown challenges of the future, but thrive.

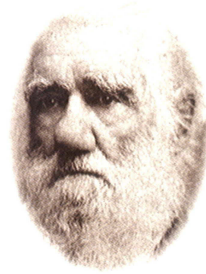
A handwritten signature in dark ink, appearing to read "Bill D. Carnahan", followed by a long horizontal line extending to the right.

Bill D. Carnahan, Director
Riverside Public Utilities

A CITY IN THE MAKING



JOHN WESLEY NORTH



DR. JAMES P. GREVES

When John Wesley North and Dr. James P. Greves decided in 1870 to establish a colony in Southern California, it was not the impetuous dream of young men or a get-rich-quick scheme of dubious drifters. Other areas of California suffered from such beginnings. North was a 55-year-old land developer with a distinguished career as an attorney, territorial judge and industrialist. He was well-educated and well-traveled. Greves was a senior 59-year-old statesman, a retired physician and astute businessman. Both men were the founding fathers of several towns across America. Riverside, the chosen site for the colony, was to be the crowning achievement of their lives and a haven of civilization in the West.

"We now have about 300 inhabitants, 3,000 acres under cultivation, 10,000 shade and ornamental trees, 10,000 fruit trees in orchard and 200,000 in nursery...Riverside has a post office, hotel, store, drug store, meat market, mechanic shops, school house, public library and church..."

John North, The Riverside Colony, 1873

The vision for the colony was put forth clearly in their original flyer:

We wish to form a colony of intelligent, industrious and enterprising people, so that each one's industry will help to promote his neighbor's interests as well as his own...We expect to have Schools, Churches, Lyceum,



Public Library, Reading-room, etc. at a very early day and we invite such people to join our colony as will esteem it a privilege to build them.

The first 100 visitors to the colony at Riverside responded to these

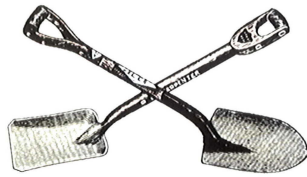
**First Santa Fe
train station
near the
Riverside
Canal, 1886.**

flyers, which were sent to upstate New York, Massachusetts, Iowa and Michigan. They sought a place of beauty, temperance, racial fairness and peace, not too close to Los Angeles, but not too far from the proposed railway. It appeared that they found what they were seeking, as North wrote to his wife, "I am at last located on the site of our future city, on a beautiful dry plain, surrounded with varied, picturesque and sublime mountain scenery and only wanted the waters of the Santa Ana River that flows near us to be conducted onto this plain to make it a scene of surpassing beauty." All they needed was water and electricity.

"Matthew Gage of Riverside was interviewed the other day by a bulletin reporter. Through the execution of Mr. Gage, it is expected that within the next few months some 6,000 acres of land, situated above the upper canal of the Riverside Canal Company, which land has heretofore been considered worthless because of lack of water for irrigation, will be irrigated. In about two years, 15,000 acres in this tract will be irrigated. Concerning his scheme, Mr. Gage says, 'Never in the history of water projects in California have such results been realized as under this system. Lands which were worthless are changing hands at \$200 per acre and upward.'"

Riverside Press & Horticulturalist, June 5, 1886

INNOVATIVE FROM THE FIRST



The city-owned water utility was formed in 1913, but the history of water rights in Riverside goes back to the time of the first settlers. Prior to 1870, obtaining water was not a sophisticated process. You started at a river and began to dig. The Riverside Canal marked the beginning of modern water distribution techniques in the region, although it was still limited by the

principle of gravity. The canal was no mere water ditch. Water flowed over canyons on flumes, was pushed up hillsides and cascaded along cliffs that had been blasted out of mountainsides. The water rested in silent pools behind sand and cottonwood dams, creating delightful fishing holes for Riverside's earliest children.

The Upper Canal of the Riverside Water Co. was a wonder, utilizing techniques that had been developed for hydraulic mining. Thomas Cover was the chief engineer of the \$50,000 project. Chinese workers completed the handwork on the canal.

In 1870, while the canal was being built, one of Riverside's first residents, Ad Smith, became the town's first professional water hauler. Smith directed his horse into the stream and used wooden buckets to fill water barrels.

Then they would slosh through town, selling the barrels for 25 cents each. Finally in July of 1871, the canal began to operate and the town grew rapidly.

Mrs. Mary Shepard remembered the excitement that the fulfilled promise of water created and wrote about it in later years:

"It was a long and weary wait until the first trickle of water came down our first irrigation canal. What excitement there was that night...Men on horseback kept us informed of its slow progress toward our home...When the trickle of precious moisture reached a point opposite our house, my father led us in three cheers and my brother John fired the family shotgun."

Soon new developers and settlers discovered the Riverside region. Two new colonies were formed and water rights became the basis of significant power struggles and lawsuits. John North's fair and generous water policies were superseded by land and water entrepreneurs. The new community of Riverside had the most ambitious water distribution system in the region under the auspices of what had become the Riverside Land & Irrigating Co.

By 1879, water rights disputes had led to a statewide convention that proposed water interests be regulated by city and county governments. With the stroke of an ink pen, water distribution changed from an individually-controlled private enterprise into one that would guarantee service to the public – citizens who could control rates with their votes.



Early wooden irrigation flume in the Riverside area, circa 1871.



Boys fishing at the Gage Wells, May 27, 1893.

THE POWER OVER DARKNESS



Thomas Edison first utilized electrical power to light up New York from his Pearl Street steam plant in 1882. Los Angeles adopted the steam plant design to light its streets and start a rail system. At the same time, the Chaffey brothers, who had founded the colonies of Etiwanda and Ontario near Riverside, were experimenting with the generation of electrical power from falling water.

To advertise their colonies, they operated a gigantic arc lamp using the first hydroelectric generator in California. Charles R. Lloyd took their idea one step further. If falling water could light one lamp, why couldn't it light up Main Street in Riverside?

By 1887, the Riverside Water Co. completed a new section of the canal 40 feet above the Spring Brook Arroyo. Charles Lloyd contracted with them for the use of the falling water, secured rights of way from neighboring cities, obtained the franchise to sell electric current, and won contracts to install and operate arc

street lamps along the main streets of Riverside in 1888. His innovative plant operated at 255 kilowatts.

About the same time, the Riverside Light Department was created by the City of Riverside to oversee this new

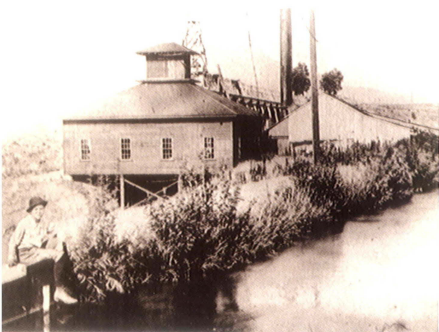
technology. However, the Light Department wasn't a public utility yet, but a new branch of city government. Soon after the formation of the department, it was determined that Lloyd's power was neither cheap nor efficient, with Riverside residents paying up to \$10 per month per street lamp and the service being described by city leaders as "miserably unreliable." A committee was formed to investigate ways to obtain more power

at lower rates. The demand for a public utility came to the forefront. At first, it was thought that the costly construction of a steam plant was inevitable.

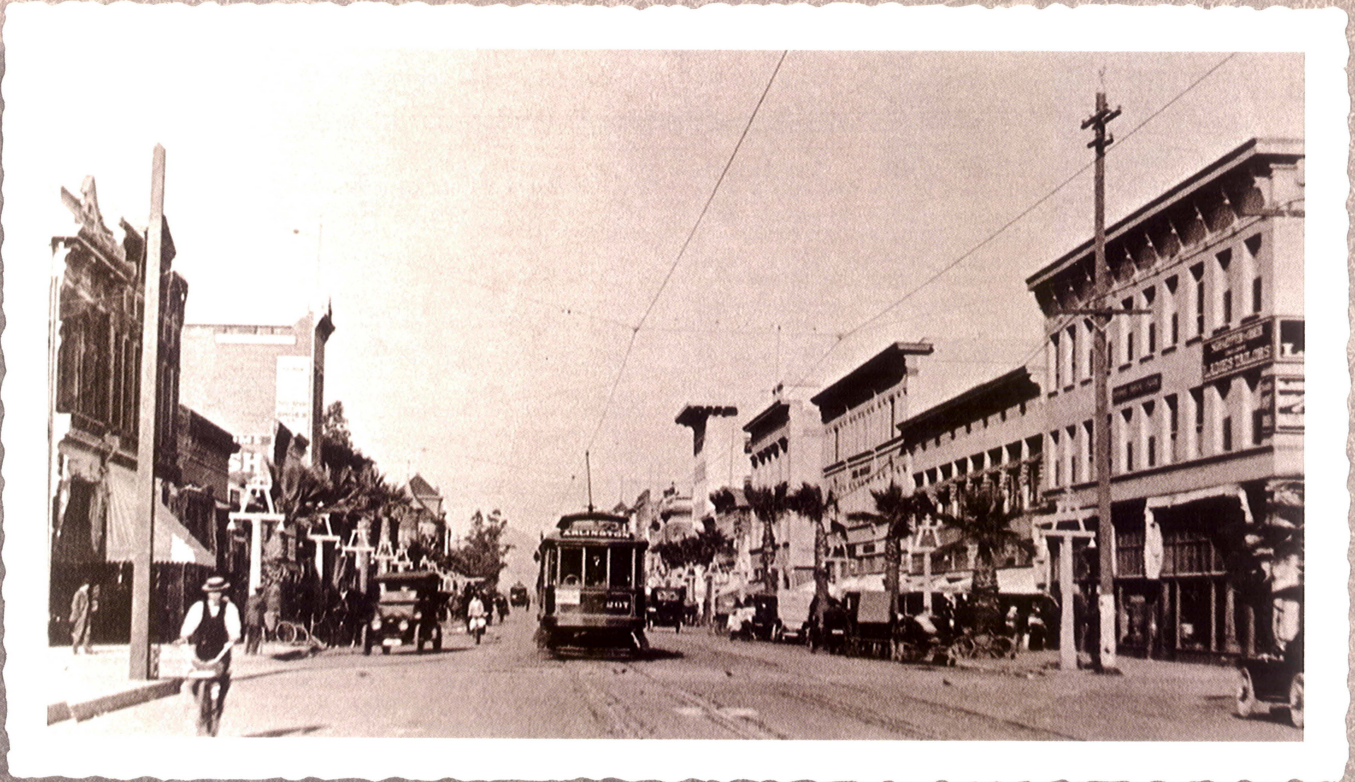
But visionary minds once again took hold. Not too far away, at Mill Creek Canyon, the Redlands Electric Light and Power Co. had built the nation's first hydroelectric plant using alternating current, or polyphase transmission, to transport electricity long distances. The company had just installed a second 250-kilowatt generator and offered Riverside the output.

The City of Riverside Light Department did not waste time. Plans and specifications were sent to local builders to develop and submit bids to build six transformers to increase the voltage of the generated power to 10,000 volts, so it could be transmitted more than 20 miles to Riverside.

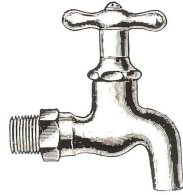
Bids were to be sealed and presented to the city for review. The original Plans and Specifications document reveals detailed instructions about the proposed plant. For instance, it called for a marble switchboard, 85 street lamps with poles painted with two coats of olive green – "one coat to be applied before the pole is set, second coat after line work is completed." The document stipulated that "All work on entire installation shall be done in a first-class, workman-like manner."



Charles Lloyd's history-making hydroelectric plant, circa 1892.



ELECTRIC STREETCARS ON MAIN STREET,
DOWNTOWN RIVERSIDE, CIRCA 1915.



At the same time electrical distribution became public in the early 1890s, an upgrade to the region's water system was overdue. Since 1882, the fortunes of the Riverside Land & Irrigating Co. had been suffering. Half of the water entering the canal was being lost to "leaky flumes and sluggish, weed-choked channels" and general disrepair to the system. In November of 1882, the

Citizens Water Co. was formed to give residents a cohesive manner in which to voice concerns to the water company. Within a year, it represented most of the water users of the area.

To gain further control, the Citizens Water Co. proposed that Riverside be incorporated as a city. On Sept. 25, 1883, the citizens of Riverside voted 228 to 147 in favor of incorporation. The City of Riverside was officially established, giving newly elected city officials the right to determine the city's water supplier. The Riverside Water Co. became the city's main water supplier in July 1885. It was after this decision, in

1886, that Matthew Gage built his own system, known as the Gage Canal, to irrigate 5,000 acres of property north of the city limits.

A Public Utility is Created

By early 1895, it was time for the Riverside Light

The Board of Trustees of the City of Riverside do ordain as follows:

SECTION ONE

It is hereby determined that the public interest and public necessity of the City of Riverside and the inhabitants thereof, demand the acquisition and construction of an Electric Light Plant for supplying the said City of Riverside and inhabitants thereof with light.

That the cost of said improvements will be too great to be paid out of the ordinary annual income and revenue of said City of Riverside.

SECTION TWO

The City Clerk shall certify to the passage of this Ordinance and shall cause the same to be published for two weeks in the Riverside Daily Press, a daily newspaper printed and published in the said City of Riverside and therefore and thereafter, this Ordinance shall take effect and be in force.

Moved by Trustee Bordwell, seconded by Trustee Kingman that Ordinance No. 191 be adopted. The motion carried unanimously.

In June of 1895, voters approved a \$40,000 bond issue to build the new power plant. Before the end of



Artesian wells, at the head of the Gage Canal, 1891.



Gage Canal, circa 1886.

Department to become more than a manager of electrical purchases. On April 2, 1895, handwritten minutes of the meeting of the Board of Trustees, City of Riverside, record the passage of Ordinance No. 191, authorizing the construction of what was to become the City of Riverside's first electrical power distribution system.

1895, the Riverside Light Department had erected the plant's transformers, which have been preserved and are acknowledged to this day as "the pioneer high voltage transformers of the world." Riverside was in the electric business and Fred Worthley supervised the plant. Within two years the Riverside Light Department was shopping for more current for its booming population. By April of 1900, a second \$40,000 bond issue passed to expand the service.

This time Riverside did build a steam generating plant to carry the peak electrical loads. Three steam boilers, two Corliss engines and two belted generators produced an additional 450 kilowatts of power. In the early days, James Maxwell Wells was a 17-year-old

"I started as a seventeen year-old kid working for the Riverside Electric Department. My official title was 'helper.' The year was 1906. I worked seven days a week, 51 weeks a year and earned \$35 a month.

There was a garage on Orange St. between 7th and 8th that made a business of charging overnight the batteries of some of the electric vehicles in use in Riverside at the time. The cars would be brought in early in the evening, so that by morning the cars were fully charged. When we switched the current at the Light Department, we sometimes shut off this system so I was sent down to fix it. Our customers expected this kind of service, and we were happy to give it."

James Maxwell Wells - from 1975 memoirs

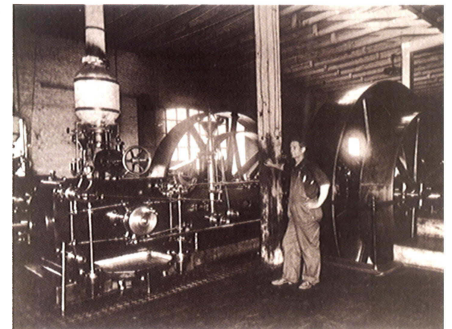
"helper" who worked at the plant seven days a week for \$35 a month. He remembered



Original stock certificate for the Riverside Power Co., 1904, one of the first companies to supply power to Riverside.

those days well. "One day, after three or four days of heavy rainfall, the Santa Ana was running full. Superintendent Cutting asked me to go with him to see how the lines in east Riverside were standing. We walked across the wooden bridge and saw power poles leaning dangerously. We came back across the bridge and about 10 minutes later the bridge took off down the river! At 2 a.m. the next morning, I woke up hearing an auto engine racing and realized that a car was sliding and slipping in the muddy street. I was living on Cedar Street at the time, which was unpaved with no sidewalk, curb or gutter. Since all the lights were out I knew what to expect.

By the time there was a knock at the door, I was dressed and ready to go. A crew gathered at the plant and fired up the dead boilers under the light of barn lanterns." Wells stayed with the company from 1906 to 1920.



Riverside Steam Generating Plant prior to 1912.

WATER AND POWER JOIN FORCES



In 1913, a landmark decision was made authorizing the City of Riverside to fully assume the distribution of domestic water as well as electricity. Voters approved a \$1.1 million bond to purchase the domestic service of the Riverside Water Co., Priestley Hall's Artesia Water Co. and Henry P. Kyes' wells in the Box Springs Mountains. In order to link the new water system together, more than 65 miles of new water mains were built to improve the system.

More than 40 years later, in 1954, visionary tactics were taken once again to supply not only the irrigation needs of agricultural customers, but the growing residential water needs that accompanied the population boom after World War II. On Jan. 19, 1954, Riverside voters approved a new plan to join with other cities to form a subagency known as the Western Municipal Water District of Riverside County. Now, in addition to its own water holdings, Riverside Public

Utilities could negotiate to import water from sources outside the region in times of drought or shortages.

In May of 1961, the City of Riverside took over more water holdings by legal action and, over the next two

decades, began consolidating water rights throughout the region. It added the assets of the Riverside Water Co. and the Gage Canal Co., two agricultural water purveyors, to its holdings, although the Gage Canal Co. continues to operate the Gage Canal on behalf of the city. This type of bold and innovative expansion carried on the tradition of strategic planning and management that Riverside Public Utilities has exhibited since its inception.

A Public Company with a Personal Conscience

The founders and employees of the Riverside Light Department were committed to the success of their utility and the expansion of their service. Hard-working employees like James Maxwell Wells were the norm. Many times they worked 10 to 18 hours a day to keep the current running. Sometimes employees had to wait several weeks for their paychecks. They knew, however, that their work was important, as it kept the streetcars going, lit the Loring Opera House and operated irrigation systems in the citrus groves.

Elmer Cutting served the City of Riverside Light Department as superintendent and guided the operations from 1912 to 1928. These were good years. Rates were lowered and the power business began to show a profit. Distribution lines were extended throughout Riverside and out to the orange groves where, for the first time, electric power operated irrigation pumps. This advantage helped create the most productive citrus groves in the world. It also helped prove that the City of Riverside Light Department was a good investment for the city and its citizens – the



The Loring Opera House, which opened in January 1890, was one of the first major users of electricity in Riverside.



Francis Cuttle and George Frost burn canceled notes of the Riverside Water Co. on Jan. 20, 1914.

customer-owners of Riverside Public Utilities.

Not that the public utility was without competition. A private provider, Callectric, had built its corporate headquarters right in the middle of Riverside and wanted to eventually take over the system. But voters had a different idea. There was by now a population of 10,000 in Riverside and in 1907 they agreed that a public utility could not be sold without a two-thirds majority vote. At the same time, voters authorized a public board to set utility rates. Clearly, the citizens of the City of Riverside understood the benefits of keeping the utilities under public control.

In 1921, A. B. West, a former employee of Callectric, led another drive for private industry to buy out the municipal electric system, but Riverside Mayor Horace Porter debated passionately for the maintenance of a public utility. At a celebrated debate before the

Riverside Present Day Club, Porter coined the description, “wealth diffused among the people,” to reaffirm the importance of keeping utilities under public domain.

The issue next came to the forefront three decades

later when 70 percent of Riverside voters turned out for a special election on Aug. 2, 1955, to cast their ballot on Callectric’s final bid to buy the municipal electric distribution system for \$7.5 million. The proposal was soundly defeated. Tom Patterson, in his book, *A Colony for Southern California*, explains why:

The municipal system had been popular with the users

from its beginning. It offered lower rates than most comparable private systems. Annually, it paid into the city treasury more money than the property would have returned in taxes if it had been in private hands. This money had the effect of keeping the city property tax lower than it would otherwise have been. In addition to its cash contribution, it provided current for streetlights and even for decorative outdoor public lighting at Christmas time – service that otherwise might have been a tax cost...

The voters’ decision was actually only a reaffirmation of earlier decisions on utilities. They had broadened the control of water in 1885, established a municipal domestic water system in 1913 and approved bond issues for public power facilities in 1895 and 1900. Riverside was satisfied with the system.

Riverside’s electric distribution system was upgraded in 1928 from 2300 volts to 4150 volts. This change helped reduce the annual loss of power on the lines from 20 percent to a record low of 9 percent. In 1934, static condensers, or capacitors, were installed and distribution losses were again reduced. Riverside was one of the first distribution systems to correct its power factor and reach operating power of 100 percent. The savings accomplished paid for the improvement in less than two years.

Long before energy conservation was mandated, the City of Riverside Light Department began to replace obsolete streetlights in 1948 with mercury



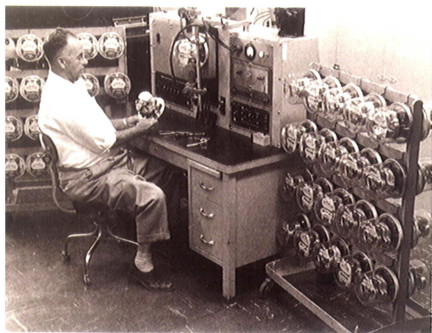
Municipal Light and Water utilities office on Main Street, 1913.

Since 1895, the citizens of Riverside have benefited from publicly-owned utilities. Photo circa 1910.



vapor lights, which produced three times the amount of illumination with the same amount of energy. Riverside utility workers and planners were once again looking ahead.

One year later, in 1949, the Riverside Light Department invested \$65,000 to construct radio communications systems. The first system, for use by the Police and Fire Departments, had two main transmitters and 50 mobile units. The second system serviced the Light, Water, Tree and Sewer Departments, enhancing operations through mobile communications long before anyone dreamed of cellular phones. These improvements were typical of the advanced and innovative thinking by utility employees and the board.



Electric meters have been in use in Riverside since the turn of the 19th century. Photo circa 1950.

ensure its ability to meet the increasing demand for electricity. However, as time passed, it was apparent that Riverside Public Utilities had to diversify its energy resources in order to remain competitive in the marketplace. Constrained by its relationship with SCE, Riverside Public Utilities was compelled to bring antitrust litigation against SCE in order to assert its right to secure its own power supply resources.

As Riverside Public Utilities' customer base grew during the 1950s and 1960s, so did its link to Southern California Edison (SCE). Historically, Riverside Public Utilities became a wholesale customer of SCE in order to

In 1972, Riverside Public Utilities reached a settlement agreement with SCE that reaffirmed Riverside's right to acquire power from third parties. As a result, Riverside Public Utilities began purchasing relatively small amounts of energy from the Nevada Power Co. in 1976. Riverside also began participating with other Southwestern and Western utilities in the development of regional power generation resources.

Through its planning efforts, Riverside Public Utilities ultimately acquired life-of-facility generation entitlements in four generating stations, which include coal, nuclear and hydroelectric facilities. As of January of 1995, Riverside has also negotiated eight additional long-term contracts for purchased power in the energy marketplace. By the end of 1996, it is expected that Riverside Public Utilities will purchase less than 0.5 percent of its annual energy needs from SCE – a dramatic shift from the days when SCE provided more than 90 percent of Riverside's annual energy needs.

Thanks to the independence of its water and electric supplies, the customer-owners of Riverside Public Utilities benefit through millions of dollars of annual cost savings that are passed along in the form of lower rates. In January of 1995, a cost comparison of the electric and water bills for the average residential customer in Riverside indicated that SCE charges up to 24 percent more than Riverside Public Utilities for the same amount of electricity, and neighboring water agencies charge up to 127 percent more than Riverside Public Utilities for the same amount of water.



EMPLOYEES OF THE CITY OF RIVERSIDE
LIGHT DEPARTMENT, CIRCA 1915.

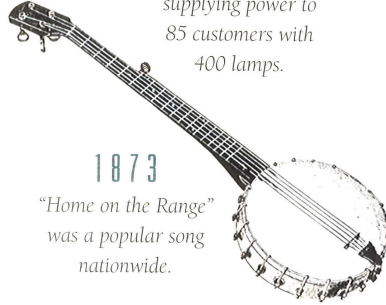
During a century of service, Riverside Public Utilities has been a part of the larger tapestry of America's growth and success. Here are some of our accomplishments set in the context of other milestones in American history.

1879

Thomas Edison invented the incandescent light bulb.

1882

Thomas Edison began operating a steam plant generator at Pearl Street in New York, supplying power to 85 customers with 400 lamps.



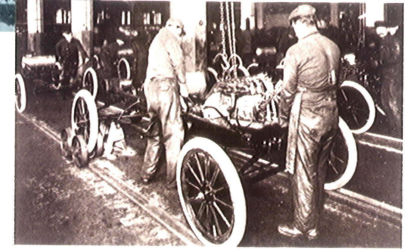
1873

"Home on the Range" was a popular song nationwide.



1913

Henry Ford installed the first moving assembly line in Detroit, MI.



1860

The Pony Express mail service left St. Joseph, MO, on its first run to California.

1861

Abraham Lincoln was inaugurated President of the United States.

1869

The Golden Spike united the Central Pacific and Union Pacific railroads, cutting travel from New York to San Francisco from three months to eight days.

1870

The Riverside Colony was founded in Southern California.

1871

Riverside built a sophisticated and innovative water canal using engineering techniques from hydraulic mining.

1876

The first telephone switchboard was put into use in Boston, MA.

1877

The Desert Land Act increased government land tracts from 160 to 640 acres at 25 cents per acre, but stipulated that the land must be irrigated before final title was awarded.

1879

Riverside led the state convention to adopt legislation guaranteeing water rights to landowners and called for governments to regulate utility rates.

1883

Riverside incorporated as a city.

1886

Alternating current was demonstrated for the first time in Massachusetts by George Westinghouse and William Stanley.

1888

Charles Lloyd took Thomas Edison's method of distributing electricity one step further by generating it from falling water instead of steam plants.

1895

City of Riverside established the Riverside Light Department, the forerunner of Riverside Public Utilities. Riverside Light Department contracted for power generated from Redlands and erected six transformers to transport the electricity.

1898

War was declared against Spain over Cuban attack.

1903

Wright Brothers flew over Kitty Hawk, N.C.

1906

San Francisco ravaged by earthquake; 1,000 were feared dead, 250,000 homeless.

1913

Riverside voters moved to make water distribution part of the public utility system.

1915

U.S. established direct wireless service with Japan.

1917

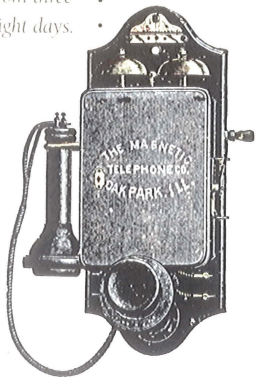
U.S. declared war against Germany to "save democracy."

1923

HOLLYWOODLAND sign went up over movie town.

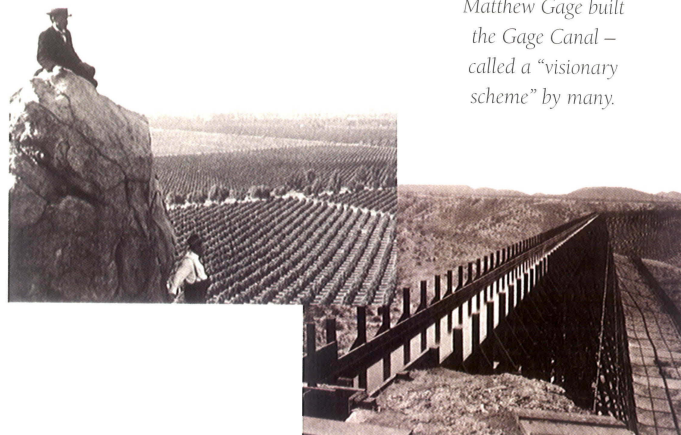
1941

Japanese bombers attacked Pearl Harbor battleships, 2,400 were killed and 1,000 wounded; war declared.



1876

Alexander Graham Bell demonstrated the first telephone in Philadelphia at the Centennial Exposition. Bankers regarded it as "a curiosity."



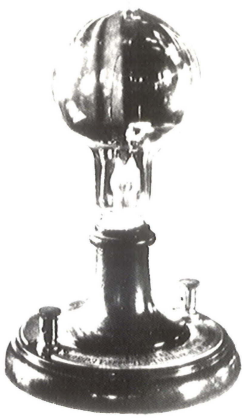
1886

Matthew Gage built the Gage Canal – called a "visionary scheme" by many.

1929

The New York Stock Market crashed on Black Tuesday.



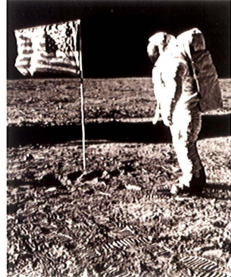


1931

Thomas Alva Edison died at age 84. All lights turned off for one minute in his memory.

1969

The Eagle landed on the moon. Neil Armstrong and Edwin E. Aldrin took steps for mankind.



1976

The United States celebrated its bicentennial.

1980

Mt. St. Helens erupted, spewing volcanic ash over 120 sq. miles of southern Washington.



1948

Richard and Maurice McDonald opened a drive-through hamburger stand in San Bernardino. Burgers were 15 cents.

1955

Riverside voters overwhelmingly defeated Caletric bid to buy the city's electric distribution system and re-established their preference for a public utility system.

1961

Riverside began to acquire all water rights from mutual water companies serving irrigation water and secured guarantees that the water would also be available for residential use.

1970

Manhattan's World Trade Center becomes the tallest building in the world.

1972

Antitrust litigation settled against Southern California Edison (SCE) that affirmed Riverside's right to secure power supply sources other than SCE.

1976

Riverside Public Utilities purchased economy energy from the Nevada Power Co., asserting its right to acquire power from a variety of third parties.

1977

President Carter declared an energy crisis and called for a 50 percent cut in energy consumption by Americans.

1980

President Carter announced the U.S. boycott of the Summer Olympics in Moscow.

1982

The Justice Department ordered AT&T to sell two-thirds of its assets to satisfy antitrust regulations.

1983

Riverside Public Utilities established its first ownership interest in a power plant, the San Onofre Nuclear Generating Station, continuing the utility's move toward the independent development of power supply resources.

1985

The Coca-Cola Co. reintroduced its original formula for Coke after a national outcry.

1986

Challenger Space Shuttle exploded after lift-off, killing seven and shocking millions watching.

1991

Russia restored the name St. Petersburg to an area known as Leningrad for 67 years.

Terry Anderson, the American hostage held in Lebanon, was freed after six years in captivity.

1992

Riverside Public Utilities instituted McGruff Truck, making Riverside the first city in California to have this child protection and crime prevention program that identifies utility drivers as a source of help.

1994

Retail wheeling became the talk of the electric utility industry.



1935

President Franklin Roosevelt signed the Social Security Act into law.

1954

Voters passed the formation of the Western Municipal Water District of Riverside County, a subagency of MWD, to tap into Colorado River water.



1974

President Richard Nixon resigned and was later pardoned by Gerald Ford.



1995

Riverside Public Utilities celebrated the 100th anniversary of its electric utility.

ONE HUNDRED YEARS BEHIND US



A BRIGHT FUTURE AHEAD

Riverside Public Utilities continues to use its flexibility, stable financial record and dedicated staff to the advantage of all of its customers. As Mayor Horace Porter put it in 1921, it's a system of "wealth diffused among the people." A system that still works today. Since 1895, our customers have trusted us to be there at the flip of a switch or the turn of a faucet. Behind these

simple, everyday movements are thousands of hours of careful planning, dedicated engineering, innovative problem-solving and smart financial strategies that continue to serve our customers' growing needs.

A Timeless Commitment

The risks and challenges that faced the early employees of Riverside Public Utilities still inspire the leadership of the utility today. Not only do the needs of the public demand that more water and power resources be found, but the use of public monies demand efficient and effective costs in utilizing those resources. Riverside Public Utilities' record of prudent planning and decisive action has kept the public trust intact.

Electric and Water Resources

Developing a balanced and cost-effective energy mix requires careful, long-range planning. Riverside Public Utilities maintains a comprehensive 20-Year Resource Plan that outlines the city's energy needs and maps pathways for transmitting the electricity. Since 1984, Riverside's resource strategy has been to acquire power supplies throughout the Western United States. Twenty years later, Riverside controls more than 90 percent of its power supply through partnerships, ownerships and contractual agreements. Having an independent and

diversified energy mix saves the customer-owners of Riverside Public Utilities millions of dollars every year.

Riverside's water utility also has flourished due to independent resources. As of January of 1995, Riverside's public water system encompasses more than 45 wells. Thanks to these local aquifers, Riverside Public Utilities has generated at least 90 percent of the city's annual water supply during the early 1990s. Since Riverside's need to purchase costly imported water is greatly diminished by the availability of its own groundwater resources, Riverside Public Utilities' water rates remain among the lowest in Southern California.

Capital Improvement Plan

Every facility and piece of equipment owned by Riverside Public Utilities – from the smallest water pipeline to major electrical substations – must be inspected and maintained regularly to ensure safe, reliable and efficient service. When replacements, upgrades and new construction are in order, they become part of the Capital Improvement Plan. Our current plan forecasts system needs through the year 2000. Keeping the Capital Improvement Plan on track is an important step in staying ahead of the demands for water and electricity. The plan is reviewed annually



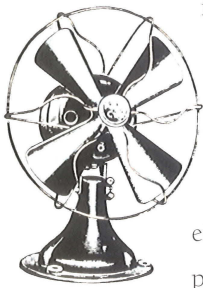
by Riverside Public Utilities staff, the City Manager, Board of Public Utilities, City Council and Mayor. Items may be revised or deferred according to projected revenues and necessity.

Conservation and Assistance Programs

Riverside Public Utilities is not only seeking newer and more cost-effective resources, we are constantly exploring new ways to save energy and help customers make the most efficient use of our water and electricity resources. Riverside Public Utilities offers assistance programs for seniors, customers using life support systems and low-income families to help reduce energy costs. Conservation programs for residential and commercial users include rebates on energy-efficient appliances and free efficiency surveys for businesses and schools.

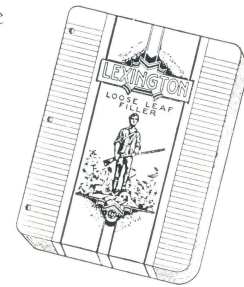
Riverside Public Utilities is also one of the founding members of FARECal, the Financial Authority

for Resource Efficiency of California. FARECal brings together utility, recycling and conservation companies for the first time to collaborate on conservation and efficiency programs. FARECal will help prevent the duplication of efforts and benefit the public through cost savings, data sharing and joint public education projects.



Public Education

For more than 10 years, Riverside Public Utilities has distributed educational materials to thousands of classrooms in Riverside schools. In addition, classroom speakers, special events and field trips continue to educate young minds about the science of electricity and water. Our goal is to encourage new visionaries who will be able to develop innovative ways to provide the power and water resources of the future.



Outside the classroom, Riverside Public Utilities hosts special events and safety demonstrations for the general public to provide information about the vital roles of water and electricity.

The Next 100 Years

Independence and efficiency are the traits that have kept Riverside Public Utilities at the forefront of the consumer-owned utility industry. This tradition of visionary thinking will continue to enable the employees of Riverside Public Utilities to provide you with the same innovative service at competitive prices that prompted John North to irrigate barren land, Charles Lloyd to obtain power from a waterfall, and Horace Porter to passionately affirm that utilities should remain in public hands forever.



IRRIGATED CITRUS GROVES IN ARLINGTON
HEIGHTS, CIRCA 1890.

**MAYOR, CITY COUNCIL
AND CITY MANAGER**

Mayor
Ronald Loveridge

City Council
Chuck Beaty
Ward 1

Ameal Moore
Ward 2

Joy Defenbaugh
Ward 3

Maureen Kane
Ward 4

Alex Clifford
Ward 5

Terri Thompson
Ward 6

Laura Pearson
Ward 7

City Manager
John Holmes

**RIVERSIDE PUBLIC
UTILITIES
ADMINISTRATION**

Bill Carnahan
Director

Michael Baldwin
Assistant Director, Operations

Dieter Wirtzfeld
*Assistant Director,
Engineering and Resources*

David Wright
*Assistant Director,
Finance and Administration*

**ANNUAL REPORT
PRODUCTION**

Karin K. Ross
Editor

Stoorza, Ziegaus & Metzger/
Franklin Stoorza
Design & Production

Francine Phillips
Writer

Riverside Public Utilities would like to extend its gratitude to and acknowledge the contribution of local historian Tom Patterson to this report. His book on Riverside history, A Colony for Southern California, published by the Press-Enterprise, contributed much of the information for this report and is used with permission. The book is available at the Riverside City and County Public Library.

Sincere appreciation and acknowledgements to Riverside City and County Public Library, the Riverside Municipal Museum and the Bettman Archives for photography.

RIVERSIDE
PUBLIC UTILITIES

1993 - 1994



Financial Statements

ON THE COVER: THE COVERT BUILDING THAT FORMERLY STOOD
AT THE SOUTHEAST CORNER OF EIGHTH AND MAIN STREETS.

RIVERSIDE PUBLIC UTILITIES 1993-94 FISCAL HIGHLIGHTS

Customer satisfaction is of major importance for any service industry, especially the utility industry at this time of increased competition. At Riverside Public Utilities we know our future is dependent upon how our customers feel about us. Financial stability is one of the contributing factors in how our customers perceive us and their level of confidence in our ability to serve them now and in the long run.

In order to increase our knowledge and understanding of our customers' needs and our level of impact on the community, Riverside Public Utilities undertook a Customer Image and Attitude Survey in March 1994. The survey results show that our customers are generally pleased with their utility service. However, we are not content with merely maintaining these satisfaction levels. Instead, Riverside Public Utilities is continually exploring new avenues that will enhance service to our customers.

As we enter our 100th year of providing electric service to our community, Riverside Public Utilities is proud of its part in shaping our community into one of California's largest cities in the fastest growing region in the nation. This growth has diversified our customer base and allowed us to forge new relationships, which has enabled us to optimize our resources through economies of scale. These savings benefit our customers by allowing us to hold the line on operational costs and defer rate increases.

Rates for water and electricity supplied by Riverside Public Utilities remained stable during the 1993-94 fiscal year. Superior credit ratings of our water and electric utility bonds continue to strengthen Riverside Public Utilities' financial profile by keeping our interest expense down. Moody's Investor Service rated both our water and electric bonds at Aa, while Standard and Poor's Corporation rated our electric bonds AA- and our water bonds AA.

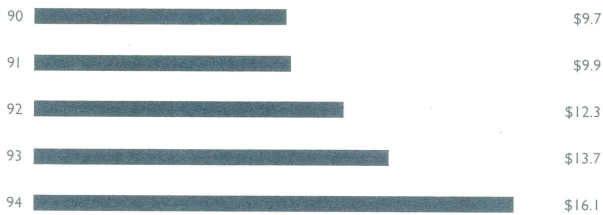
Giving back to its community is an inherent feature of a community-owned utility. In 1993-94, Riverside Public Utilities transferred \$18.2 million to the city's general fund in support of valuable city services including fire, police, library and youth services. As a result, residents of the city of Riverside enjoy beneficial community services and programs, as well as lower rates for water and electricity than the rates charged by neighboring water agencies and an investor-owned electric utility.

At Riverside Public Utilities we are taking the steps necessary now to strategically position our organization to meet the challenges coming our way through growth and competition. So that the same innovative thinking and forthright action which laid the foundation for Riverside's public utility system will remain the system of choice in the future.

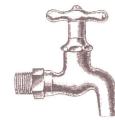
GENERAL FUND TRANSFER



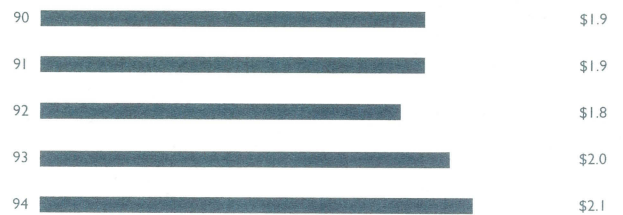
(IN MILLIONS)



GENERAL FUND TRANSFER



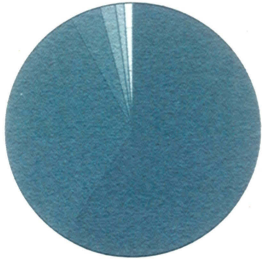
(IN MILLIONS)



CITY OF RIVERSIDE - ELECTRIC UTILITY

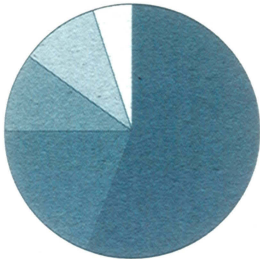
1993 - 94
ELECTRIC DOLLAR
& RESOURCES

SOURCE OF REVENUE



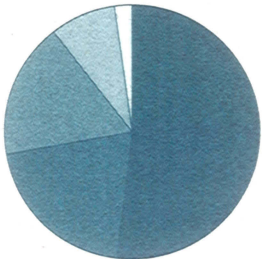
- Commercial & Industrial Sales (59¢)
- Residential Sales (33¢)
- Interest Income (4¢)
- Rate Stabilization (2¢)
- Sales for Resale (1¢)
- Other Revenue (1¢)

DISTRIBUTION OF REVENUE



- Purchased Power Supply (56¢)
- Operation & Maintenance (19¢)
- Transfer to City General Fund (10¢)*
- Debt Service (10¢)
- Available for Additions & Replacements to the System (5¢)

ENERGY RESOURCES



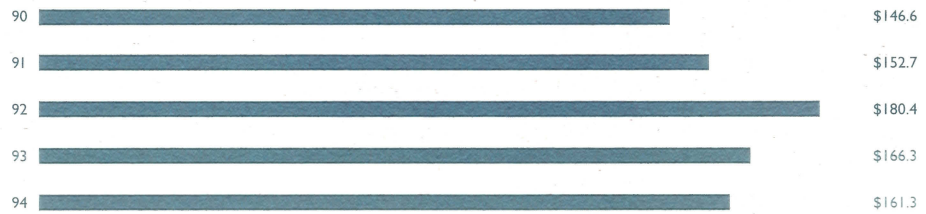
- Coal (52.1%)
- Nuclear (20.3%)
- Third Party Purchases (17.2%)
- SCE (8.2%)
- Hydropower (2.2%)

AVERAGE NUMBER OF CUSTOMERS



TOTAL OPERATING REVENUE

(IN MILLIONS)



PRODUCTION

(IN MILLION KILOWATT-HOURS)



PEAK DAY DEMAND

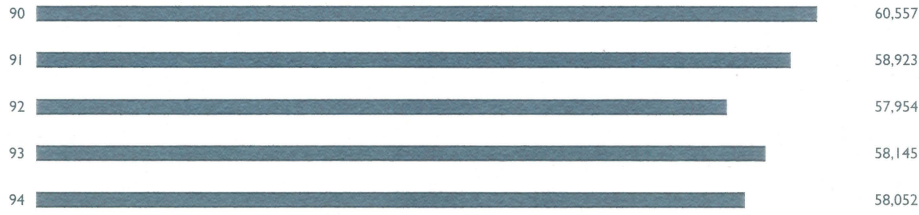
(IN MEGAWATTS)



* Based on transfer of 10.5 percent of fiscal year 1992-93 operating revenues (excludes interest and other non-operating income)

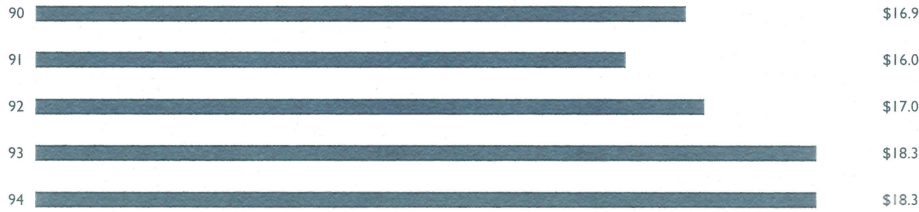
CITY OF RIVERSIDE - WATER UTILITY

AVERAGE NUMBER OF CUSTOMERS



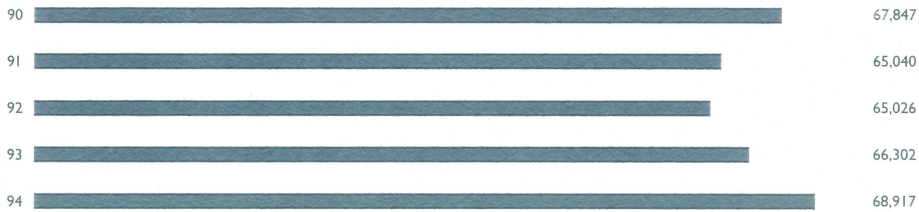
TOTAL OPERATING REVENUE

(IN MILLIONS)



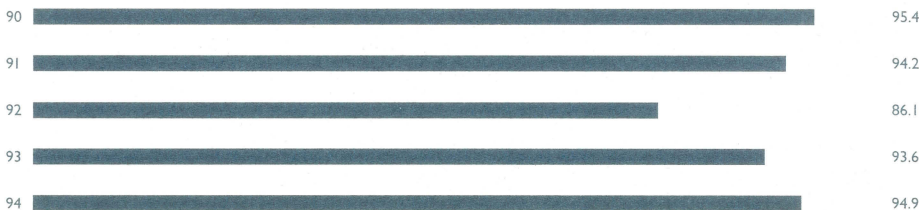
PRODUCTION

(IN ACRE FEET)



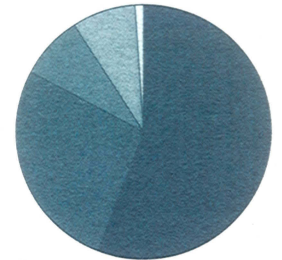
PEAK DAY DEMAND

(IN MILLION GALLONS)



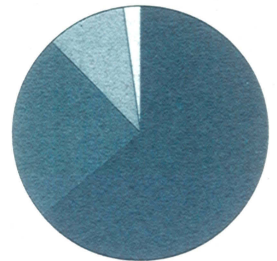
1993 - 94
WATER DOLLAR & RESOURCES

SOURCE OF REVENUE



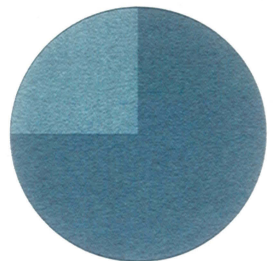
- Residential Sales (56¢)
- Commercial & Industrial Sales (27¢)
- Interest Income (8¢)
- Other Revenue (8¢)
- Other Sales (1¢)

DISTRIBUTION OF REVENUE



- Operation & Maintenance (64¢)
- Debt Service (24¢)
- Transfer to City General Fund (10¢)**
- Water Supply (2¢)

WATER RESOURCES



- San Bernardino Basin Wells (75%)
 - Riverside Basin Wells (25%)
- Purchased water was less than .06% for 1993-94.

** Based on transfer of 11.5 percent of fiscal year 1992-93 operating revenues (excludes interest and other non-operating income)

CITY OF RIVERSIDE - ELECTRIC UTILITY STATISTICS

POWER SUPPLY (MWh)	1993/94	1992/93	1991/92	1990/91	1989/90	1988/89
San Onofre	269,400	312,000	231,600	264,500	239,500	272,500
Intermountain Power	842,100	839,500	831,700	697,800	795,400	716,100
Palo Verde	58,500	83,900	76,600	84,700	27,800	58,300
Hoover	36,300	28,400	31,400	33,700	24,100	16,800
Firm contracts	278,100	143,900	179,900	358,300	314,000	229,700
Non-firm contracts	130,100	151,200	150,100	79,000	77,600	112,000
Southern California Edison	3,400	94,400	99,400	36,000	47,200	54,400
Total	1,617,900	1,653,300	1,600,700	1,554,000	1,525,600	1,459,800
System peak (MW)	421.2	448.0	400.0	404.8	407.0	367.2
ELECTRIC USE	1993/94	1992/93	1991/92	1990/91	1989/90	1988/89
Average number of customers						
Residential ¹	79,879	79,665	78,985	78,317	78,795	76,087
Commercial	8,424	8,314	8,565	8,156	8,083	7,620
Industrial	198	182	180	189	186	196
Other	127	123	127	146	146	148
Total	88,628	88,284	87,857	86,808	87,210	84,051
Millions of kilowatt-hour sales						
Residential	517	557	528	546	516	503
Commercial	383	392	394	381	356	333
Industrial	586	566	540	526	527	534
Other	43	41	42	42	41	43
Total	1,529	1,556	1,504	1,495	1,440	1,413
Average annual kWh per residential customer	6,475	6,992	6,685	6,972	6,549	6,611
Average price (cents/kWh) per residential customer	10.70	10.31	9.90	9.06	9.10	9.04
Debt as a percent of net plant ²	90.3%	95.2%	93.4%	96.8%	78.8%	85.4%
Operating income as a percent of operating revenues	16.2%	15.9%	25.3%	15.4%	10.4%	8.2%
Employees	285	288	286	284	264	259

¹Private area lights were reflected as individual customers in prior years. In 1990-91, these accounts were combined with the residence, resulting in a net decrease in residential customers.

²Net plant includes nuclear fuel inventory and work in progress.

CITY OF RIVERSIDE - WATER UTILITY STATISTICS

WATER SUPPLY (ACRE FEET)	1993/94	1992/93	1991/92	1990/91	1989/90	1988/89
Pumping	68,779	65,018	64,836	61,204	61,249	60,815
Purchases	38	604	190	3,836	6,598	3,133
Total	68,817	65,622	65,026	65,040	67,847	63,948
% Pumped	99.9%	99.1%	99.7%	94.1%	90.3%	95.2%
System peak day (gals)	94,868,000	93,655,000	86,075,000	94,243,000	95,400,000	89,248,000
WATER USE	1993/94	1992/93	1991/92	1990/91	1989/90	1988/89
Average number of customers						
Residential	53,328	53,463	53,254	53,882	52,889	52,076
Commercial/industrial	4,115	4,098	4,093	4,203	3,976	3,862
Other ¹	609	584	607	838	3,692	3,237
Total	58,052	58,145	57,954	58,923	60,557	59,175
CCF sales						
Residential	15,858,173	16,320,462	15,492,812	16,486,215	17,149,071	16,527,248
Commercial/industrial	8,009,188	8,228,209	7,998,728	8,982,227	8,573,499	8,266,856
Other	1,822,448	1,560,370	1,661,637	1,035,975	1,234,806	1,087,045
Total	25,689,809	26,109,041	25,153,177	26,504,417	26,957,376	25,881,149
Average annual CCF per residential customer	297	305	291	306	324	317
Average price (cents/CCF) per residential customer	75.7	72.4	68.7	62.9	62.3	61.2
Debt as a percent of net plant	37.0%	38.2%	41.5%	46.1%	40.0%	42.7%
Employees	137	137	137	131	130	130

¹Fire hydrants previously included as individual accounts were combined as one municipal account in 1990-91, resulting in a net decrease in other customers.

**CITY OF RIVERSIDE ELECTRIC UTILITY
BALANCE SHEETS**

ASSETS	June 30 1994	June 30 1993
	(In Thousands)	
Utility plant:		
Production	\$121,462	\$118,985
Transmission	14,343	11,666
Distribution	140,078	132,139
General	<u>8,804</u>	<u>8,345</u>
	284,687	271,135
Less accumulated depreciation and amortization	<u>(103,225)</u>	<u>(94,336)</u>
	181,462	176,799
Construction in progress	25,501	23,416
Nuclear fuel, at amortized cost	<u>3,865</u>	<u>4,366</u>
Total utility plant	<u>210,828</u>	<u>204,581</u>
Restricted assets	<u>41,193</u>	<u>48,049</u>
Current assets:		
Cash and investments	85,471	61,524
Accounts receivable, net	19,988	20,787
Accrued interest receivable	1,349	1,016
Prepaid expenses	4,260	2,958
Nuclear materials inventory	<u>509</u>	<u>436</u>
Total current assets	<u>111,577</u>	<u>86,721</u>
Other assets:		
Unamortized project costs	504	605
Bond issuance costs	<u>2,087</u>	<u>2,245</u>
Total other assets	<u>2,591</u>	<u>2,850</u>
Total assets	<u>\$366,189</u>	<u>\$342,201</u>

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

**CITY OF RIVERSIDE ELECTRIC UTILITY
BALANCE SHEETS**

	<i>June 30</i>	<i>June 30</i>
	1994	1993
	<i>(In Thousands)</i>	
CAPITALIZATION AND LIABILITIES		
Customers' equity:		
Retained earnings		
Reserved	\$ 22,721	\$ 22,469
Unreserved	<u>42,926</u>	<u>37,551</u>
Total retained earnings	65,647	60,020
Contributed capital	<u>37,838</u>	<u>36,398</u>
Total customers' equity	103,485	96,418
Long-term obligations, less current portion	<u>184,712</u>	<u>190,086</u>
Total capitalization	<u>288,197</u>	<u>286,504</u>
Other non-current liabilities:		
Decommissioning liability	12,464	10,375
Rate stabilization account, less current portion	<u>33,610</u>	<u>5,503</u>
Total non-current liabilities	<u>46,074</u>	<u>15,878</u>
Current liabilities payable from restricted assets:		
Accrued interest payable	2,614	2,921
Current portion of long-term obligations	<u>5,585</u>	<u>4,840</u>
Total current liabilities payable from restricted assets	<u>8,199</u>	<u>7,761</u>
Current liabilities:		
Accounts payable	6,915	6,712
Accrued liabilities	3,910	4,396
Rate stabilization account	10,800	18,900
Current portion of long-term obligations	75	106
Customer deposits	<u>2,019</u>	<u>1,944</u>
Total current liabilities	<u>23,719</u>	<u>32,058</u>
Commitments and contingencies		
Total capitalization and liabilities	<u>\$366,189</u>	<u>\$342,201</u>

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

**CITY OF RIVERSIDE ELECTRIC UTILITY
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS**

For the Fiscal Years Ended June 30

	1994	1993
	<i>(In Thousands)</i>	
OPERATING REVENUES:		
Residential sales	\$55,316	\$57,422
Commercial and industrial sales	98,839	95,234
Sales to other utilities	2,533	2,434
Provision for rate stabilization	3,400	10,100
Other operating revenue	<u>1,192</u>	<u>1,107</u>
Total operating revenues	<u>161,280</u>	<u>166,297</u>
OPERATING EXPENSES:		
Purchased power	94,790	98,982
Operations	24,965	26,308
Maintenance	5,718	5,061
Depreciation and amortization	<u>9,607</u>	<u>9,530</u>
Total operating expenses	<u>135,080</u>	<u>139,881</u>
Operating income	<u>26,200</u>	<u>26,416</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	6,345	8,312
Interest expense	(11,383)	(12,914)
Gain on retirement of utility plant	5	76
Other	<u>531</u>	<u>1,794</u>
Total non-operating revenues (expenses)	<u>(4,502)</u>	<u>(2,732)</u>
Income before operating transfer	21,698	23,684
OPERATING TRANSFER OUT:		
General fund contribution	<u>(16,071)</u>	<u>(13,672)</u>
Net income before extraordinary loss	5,627	10,012
Extraordinary loss on advance refunding	<u>0</u>	<u>(9,243)</u>
Net income	5,627	769
RETAINED EARNINGS, JULY 1	<u>60,020</u>	<u>59,251</u>
RETAINED EARNINGS, JUNE 30	<u>(\$65,647)</u>	<u>(\$60,020)</u>

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

**CITY OF RIVERSIDE ELECTRIC UTILITY
STATEMENTS OF CASH FLOWS**

For the Fiscal Years Ended June 30

	1994	1993
	<i>(In Thousands)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	\$182,161	\$156,223
Cash paid to suppliers and employees	<u>(123,774)</u>	<u>(125,553)</u>
Net cash provided by operating activities	<u>58,387</u>	<u>30,670</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating transfers out	(16,071)	(13,672)
Non-operating revenue	<u>531</u>	<u>1,794</u>
Net cash used by non-capital financing activities	<u>(15,540)</u>	<u>(11,878)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the sale of revenue bonds	0	118,368
Purchase of utility plant	(15,807)	(12,662)
Purchase of nuclear fuel	(767)	(772)
Proceeds from the sale of utility plant	115	97
Principal paid on long-term obligations	(4,949)	(4,166)
Interest paid on long-term obligations	(11,241)	(12,840)
Bond issuance costs	0	(1,215)
Deposit to escrow account for advance refunding of revenue bonds	0	(117,698)
Contributed capital	<u>881</u>	<u>3,039</u>
Net cash used by capital and related financing activities	<u>(31,768)</u>	<u>(27,849)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Income from investments	<u>6,012</u>	<u>8,139</u>
Net increase (decrease) in cash and cash equivalents	17,091	(918)
CASH AND CASH EQUIVALENTS, JULY 1	<u>109,573</u>	<u>110,491</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$126,664</u>	<u>\$109,573</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 26,200	\$ 26,416
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	9,607	9,530
Amortization (burn) of nuclear fuel	1,268	1,404
(Provision) recovery for uncollectible accounts receivable	(63)	415
Decrease in accounts receivable	862	11
(Increase) decrease in prepaid expenses	(1,302)	844
(Increase) decrease in nuclear materials inventory	(73)	1
Increase in accounts payable	203	621
(Decrease) in accrued liabilities	(486)	(76)
Increase (decrease) in customer deposits	75	(708)
Increase in decommissioning liability	2,089	2,004
Increase (decrease) in rate stabilization account	<u>20,007</u>	<u>(9,792)</u>
Net cash provided by operating activities	<u>\$ 58,387</u>	<u>\$ 30,670</u>
SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Contributions in aid of construction	<u>\$ 559</u>	<u>\$ 780</u>
Purchase of equipment through capital lease	<u>\$ 0</u>	<u>\$ 55</u>

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

**CITY OF RIVERSIDE ELECTRIC UTILITY
NOTES TO THE FINANCIAL STATEMENTS**

**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. 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. Contributed plant is valued at its estimated fair market value on the date contributed. The cost of relatively minor replacements is 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
General plant and 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 (SCE), on a quarterly basis.

RESTRICTED ASSETS

Proceeds of revenue bonds yet to be used for capital projects, as well as certain resources set aside for debt service are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Funds set aside for the nuclear decommissioning reserve are also classified as restricted assets because their use is legally restricted to a specific purpose.

CASH AND INVESTMENTS

The City pools idle cash from all funds for the purpose of increasing income through investment activities. Investments are carried at cost, the market value of which is \$115,100,000 at June 30, 1994. Interest income on investments is allocated to the various funds of the City on the basis of average daily cash and investment balances.

All highly liquid investments, including restricted assets with a maturity of three months or less when purchased, are considered to be cash equivalents. Cash and investments held on behalf of the Electric Utility by the City Treasurer are considered highly liquid and are classified as cash equivalents in the statement of cash flows.

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.

BOND DISCOUNTS AND ISSUANCE COSTS

Bond discounts and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable, whereas issuance costs are recorded as deferred charges.

CONTRIBUTED CAPITAL

Amounts received from customers and others for constructing utility plant are combined with retained earnings to represent customers' equity. Accordingly, contributed capital is shown in the accompanying balance sheet as an equity account and is not offset against utility plant. Depreciation on contributed assets is expensed.

**CITY OF RIVERSIDE ELECTRIC UTILITY
NOTES TO THE FINANCIAL STATEMENTS**

NUCLEAR DECOMMISSIONING RESERVE

Federal regulations require the Electric Utility to provide for the future decommissioning of its ownership share of the nuclear units at San Onofre. The Electric Utility has established a reserve fund for the decommissioning of the nuclear power plant and restoration of the beachfront at San Onofre. The Electric Utility funds the reserve and recognizes expense over the useful life of the generating plant. A separate trust account has been established for prior and future amounts funded and these amounts are classified as restricted assets in the accompanying balance sheet. To date, the Electric Utility has set aside \$12,464,000 in cash and investments with the trustee as Riverside's estimated share of the decommissioning cost of San Onofre. Based on a cost estimate completed by SCE and approved by the California Public Utilities Commission, the Electric Utility plans to set aside approximately \$1,460,000 per year to fund this obligation. Decommissioning is expected to commence around the year 2015.

RATE STABILIZATION ACCOUNT

The Electric Utility's rules and regulations provide for a rate stabilization account (RSA) that is used to offset changes in the cost of providing power. 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. Use of amounts set aside in the RSA requires specific approval of the Board of Public Utilities and City Council. The Electric Utility's fiscal year 1994-95 budget includes the recognition of revenues in the amount of \$10,800,000 from the RSA to be used to offset fiscal year 1994-95 rate increases.

The following is a summary of changes in the rate stabilization account for fiscal years 1994 and 1993.

	1994	1993
Balance, July 1	\$24,403,000	\$34,195,000
<i>Increases:</i>		
Refunds from SCE	23,407,000	308,000
<i>Decreases:</i>		
Current year provision	<u>(3,400,000)</u>	<u>(10,100,000)</u>
Balance, June 30	<u>\$44,410,000</u>	<u>\$24,403,000</u>

During fiscal years 1994 and 1993, the Electric Utility received \$23,407,000 and \$308,000, respectively, in refunds from SCE for the settlement of previous wholesale rate disputes.

CUSTOMER DEPOSITS

The City holds customer deposits as security for the payment of utility bills. The Electric Utility's portion of these deposits as of June 30, 1994 and 1993, was \$2,019,000 and \$1,944,000, respectively.

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 totaled \$9,079,000 at June 30, 1994, and \$7,859,000 at June 30, 1993.

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 \$1,484,000 at June 30, 1994, and \$1,546,000 at June 30, 1993.

COMPENSATED ABSENCES

The accompanying financial statements include accruals for salaries, fringe benefits and compensated absences due employees at June 30, 1994. The Electric Utility treats compensated absences due employees as a current liability. The amount accrued for compensated absences was \$3,910,000 at June 30, 1994, and \$4,396,000 at June 30, 1993.

Employees receive 10 to 25 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 that is estimated to be settled upon retirement or death.

CITY OF RIVERSIDE ELECTRIC UTILITY
NOTES TO THE FINANCIAL STATEMENTS

SELF-INSURANCE PROGRAM

The Electric Utility participates in a self-insurance program for workers' compensation and general liability coverage that 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 incurred but unreported claims based upon past experience, modified for current trends and information.

While the ultimate losses incurred through June 30, 1994, are dependent upon future developments, management believes that amounts paid are sufficient to cover such losses.

DEFERRED COMPENSATION AND EMPLOYEE RETIREMENT PLANS

Deferred Compensation Plan

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

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 employee 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.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Employee 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 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. As

an example, 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 Electric 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 Electric Utility pays both the employee and employer contributions. Citywide information concerning elements of unfunded pension benefit obligations, contributions to PERS for the year ended June 30, 1994, and recent trend information may be found in the notes of the City's "Comprehensive Annual Financial Report" for the fiscal year ended June 30, 1994.

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. In fiscal year 1992-93 the Electric Utility transferred 9.1 percent of the prior year's gross operating revenues to the general fund, with the exception of May and June 1993, when the transfer rate increased from 9.1 percent to 11.5 percent. For the fiscal year 1993-94 the transfer rate was 10.5 percent. This amounted to \$16,071,000 in 1993-94 and \$13,672,000 in 1992-93.

BUDGETS AND BUDGETARY ACCOUNTING

The Electric Utility presents, and the City Council adopts, an annual budget. The proposed budget includes estimated expenses 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 expenses for fiscal year 1993-94 amounted to \$193,649,000, while the adopted 1994-95 budget totals \$196,640,000.

RECLASSIFICATIONS

Certain reclassifications have been made to the prior year's financial statements to conform with the current year's presentation.

**CITY OF RIVERSIDE ELECTRIC UTILITY
NOTES TO THE FINANCIAL STATEMENTS**

**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, 1994 (in thousands):

	Balance JULY 1, 1993	INCREASE	DECREASE	Balance JUNE 30, 1994
Certificates of participation and capital lease	\$ 258	\$0	\$ 111	\$ 147
Revenue bonds payable	198,991	0	4,841	194,150
Unamortized bond discount	(4,217)	0	(292)	(3,925)
Total	<u>\$195,032</u>	<u>\$0</u>	<u>\$4,660</u>	<u>\$190,372</u>

Annual debt service requirements to maturity as of June 30, 1994, are as follows (in thousands):

	1995	1996	1997	1998	1999	THEREAFTER	TOTAL
Certificates of participation and capital lease	\$ 75	\$ 34	\$ 35	\$ 3	\$ 0	\$ 0	\$ 147
Bond interest payable	10,328	10,050	9,724	9,397	9,092	77,427	126,018
Bond principal payable	5,873	6,149	6,471	6,795	7,087	161,775	194,150
Unamortized bond discount	(288)	(284)	(281)	(275)	(267)	(2,530)	(3,925)
Total	<u>\$15,988</u>	<u>\$15,949</u>	<u>\$15,949</u>	<u>\$15,920</u>	<u>\$15,912</u>	<u>\$236,672</u>	<u>\$316,390</u>

CERTIFICATES OF PARTICIPATION AND CAPITAL LEASE

The Electric Utility's share of outstanding certificates of participation in the amount of \$111,000 is due in annual installments through November 1, 1997; interest rates range from 5.75 percent to 9.4 percent.

The Electric Utility's share of equipment purchased through a capital lease in the amount of \$36,000 is due in monthly installments of \$1,031 through November 1, 1997, at 8.0 percent interest.

REVENUE BONDS PAYABLE AT JUNE 30, 1994

\$121,025,000 1986 Electric Revenue Refunding Series A Bonds: \$36,410,000 serial bonds due in annual installments from \$800,000 to \$3,820,000 through October 1, 1997, interest from 6.0 percent to 6.4 percent	\$ 10,325,000
\$68,175,000 1991 Electric Revenue Bonds: \$27,395,000 serial bonds due in annual installments from \$785,000 to \$3,590,000 through October 1, 2005, interest from 5.3 percent to 6.6 percent;	
\$40,780,000 term bonds due October 1, 2015, interest at 6.0 percent	66,790,000
\$118,550,000 1993 Electric Refunding Revenue Bonds: \$92,245,000 serial bonds due in annual installments from \$2,015,000 to \$8,005,000 through October 1, 2010, interest from 2.50 percent to 8.25 percent;	
\$26,305,000 term bonds due October 1, 2013, at 5.0 percent	117,035,000
Less: Unamortized bond discount.....	<u>(3,925,000)</u>
Total electric revenue bonds payable.....	<u>\$190,225,000</u>

**CITY OF RIVERSIDE ELECTRIC UTILITY
NOTES TO THE FINANCIAL STATEMENTS**

ADVANCE REFUNDING

On March 10, 1993, electric revenue bonds were sold to advance refund two issues and a portion of one issue of electric revenue bonds. The true interest cost of this refunding issue was 5.13 percent.

The advance refunding resulted in the recognition of an accounting loss of \$9.2 million, reduced aggregate debt service payments by \$15.1 million, and created an economic gain (differences between the present value of the old and new debt service payment) of \$8.1 million.

DEBT SERVICE COVERAGE RATIO

The Electric Utility's bond indentures require the Electric 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 2.72 at June 30, 1994.

**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, 1994, 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.

**NOTE 4
LITIGATION**

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
JOINTLY-GOVERNED ORGANIZATIONS**

On November 1, 1980, the City of Riverside joined with the Imperial Irrigation District and the cities of Los Angeles, Anaheim, Vernon, Azusa, Banning, Colton, Burbank, Glendale and Pasadena to create the Southern California Public Power Authority (SCPPA) by a Joint Powers Agreement under the laws of the State of California. The primary purpose of the Authority is to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. The Authority is governed by a Board of Directors, which consists of one representative for each of the members. During the 1993-94 fiscal year, the Electric Utility paid approximately \$14,519,000 to SCPPA under various take-or-pay contracts that are described in

greater detail in Note 7. These payments are reflected as a component of purchased power in the financial statements.

On July 1, 1990, the City of Riverside joined with the cities of Azusa, Banning and Colton to create the Power Agency of California (PAC) by a Joint Powers Agreement under the laws of the State of California. The primary purpose of the Agency is to take advantage of synergies and economies of scale as a result of the four cities acting in concert. The agency has the ability to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. The Agency is governed by a Board of Directors, which consists of one representative for each of the members. The term of the Joint Powers Agreement is 50 years. The Electric Utility paid approximately \$90,000 to PAC for administrative expenses and advanced \$4,300 for operating capital during fiscal year 1993-94.

**NOTE 6
JOINTLY-OWNED UTILITY PROJECT**

Pursuant to a settlement agreement with SCE, 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. In 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 that sets forth the terms and conditions under which the City, through the Electric Utility, participates in the ownership and output of SONGS. Other participants in this project include SCE, 75.05 percent; San Diego Gas & Electric Company, 20.00 percent; and the City of Anaheim, 3.16 percent. Maintenance and operation of SONGS remains the responsibility of SCE, as operating agent for the City.

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, 1994, Riverside's 1.79 percent share of the capitalized construction costs for SONGS totaled \$121,463,000 with accumulated depreciation of \$42,641,000. The Electric Utility made provisions during fiscal year 1993-94 for nuclear fuel burn of \$1,268,000 and for future decommissioning costs of \$1,460,000 (See Note 1). 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.

**CITY OF RIVERSIDE ELECTRIC UTILITY
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 7
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 1,600 megawatt coal-fueled generating station, located in central Utah.

The contract constitutes an obligation of the Electric Utility to make payments solely from operating revenues. The power sales contract requires the Electric Utility to pay certain minimum charges that are based on debt service requirements. Such payments are considered a cost of purchased power.

The Electric Utility is a member of the Southern California Public Power Authority (SCPPA), a joint powers agency (See Note 5). 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 will be 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:

<u>PROJECT</u>	<u>PERCENT SHARE</u>
Palo Verde Nuclear Generating Station	5.4 percent
Southern Transmission System	10.2 percent
Hoover Dam Upgrading.....	31.9 percent
Mead-Phoenix Transmission	4.0 percent
Mead-Adelanto Transmission.....	13.5 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. Management intends to pay these obligations 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 2.0 percent to 10.4 percent. The following schedule details the amount of principal that is due and payable by the Electric Utility as part of the take-or-pay contract for each project in the fiscal year indicated.

PRINCIPAL PAYMENTS

(In Thousands)

	<u>IPA</u>	<u>SCPPA</u>					
	Intermountain Power Project	Palo Verde Nuclear Generating Station	Southern Transmission System	Hoover Dam Uprating	Mead- Phoenix Transmission	Mead- Adelanto Transmission	
Year Ending June							
1995	\$ 6,894	\$ 1,211	\$ 1,389	\$ 274	\$ 0	\$ 0	\$ 9,768
1996	7,384	1,288	1,461	195	0	0	10,328
1997	8,539	1,381	1,287	346	0	0	11,553
1998	8,889	1,480	2,453	360	0	0	13,182
1999	9,468	1,575	2,378	394	86	802	14,703
Thereafter	358,438	55,988	152,824	10,382	3,539	37,086	618,257
Subtotal	\$399,612	\$62,923	\$161,792	\$11,951	\$3,625	\$37,888	\$677,791
Less: Unamortized bond discount	(16,318)	(6,850)	(16,918)	(1,209)	(180)	(1,826)	(43,301)
Total	\$383,294	\$56,073	\$144,874	\$10,742	\$3,445	\$36,062	\$634,490

**CITY OF RIVERSIDE ELECTRIC UTILITY
NOTES TO THE FINANCIAL STATEMENTS**

POWER SALES AGREEMENTS

The Electric Utility has executed five firm power sales agreements. The agreements are with the Deseret Generation and Transmission Cooperative (Deseret) of Sandy, Utah (two agreements); the California Department of Water Resources (CDWR); the Bonneville Power Administration (BPA); and the Southern California Edison Company (SCE). The minimum annual obligations under each of these contracts are shown in the table below.

The first 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 second agreement with Deseret is for five megawatts beginning in 1992 through December 31, 1994, then increasing to 52 megawatts through December 31, 2009. The agreement with CDWR is for the purchase of 20 megawatts of firm capacity and associated energy during the months of May through October of each year beginning May 1, 1992. The agreement with CDWR is an "evergreen" contract that may be terminated upon three years notice by either party. The agreement with BPA is for the purchase of firm capacity (23 megawatts in the summer months and 16 megawatts in the winter months), and associated energy for a period of 20 years. The agreement with SCE is for the purchase of firm capacity and associated energy for a period of eight years ending December 31, 1998. The firm capacity from SCE is for 150 megawatts in the summer.

POWER SALES AGREEMENTS

Minimum Obligations 1994-95

(In Thousands)

SUPPLIER	CAPACITY	ENERGY	TOTAL
Deseret - 1	\$ 3,222	\$ 0	\$ 3,222
Deseret - 2	5,019	628	5,647
SCE	5,034	2,000	7,034
CDWR	830	336	1,166
BPA	979	0	979
Total	\$15,084	\$2,964	\$18,048

**NOTE 8
SUBSEQUENT EVENT**

**FINANCING AUTHORITY FOR RESOURCE EFFICIENCY
OF CALIFORNIA (FARECAL)**

On July 1, 1993, the City of Riverside joined with the cities of Anaheim, Colton, Compton, Healdsburg, Los Angeles, Palo Alto, Pasadena, Redding, Santa Cruz; the North Marin Water District; the Northern California Power Agency (NCPA); the Sacramento Municipal Utility District; and Turlock Irrigation District to create the Financing Authority for Resource Efficiency of California (FARECal). The primary purpose of the Authority is to issue bonds and use the proceeds to promote, advance, encourage and participate in conservation, reclamation and other programs that are designed to utilize energy or water resources more efficiently. The Authority is administered by a Board of Directors comprised of one representative from each Charter Member (the cities of Anaheim, Los Angeles, Palo Alto and Riverside and the North Marin Water District) and three voting-based directors, which currently are representatives from NCPA, and the cities of Compton and Pasadena.

In July 1994, the Authority issued \$19,470,000 in electric and water revenue bonds. The proceeds of the bonds will be used to finance a portion of the costs of five separate programs for the cities of Anaheim, Pasadena and Riverside. The City of Riverside Electric Utility's share of this bond issuance totals \$4.1 million. The Electric Utility is obligated only for their portion of the total debt issuance. The bonds bear interest at rates of 4.60 percent to 5.90 percent, and mature serially in annual principal amounts ranging from \$385,000 to \$1,430,000 beginning July 1997. The term bonds bear interest at rates of 6.00 percent and mature on July 1, 2017. The bonds are payable solely from program revenues, which come from installment payments from each participant. Installment payments are payable solely from utility revenues.

INDEPENDENT AUDITORS' REPORT

To the Honorable City Council and Board of Public Utilities

City of Riverside, California

We have audited the accompanying balance sheets of the City of Riverside Electric Utility as of June 30, 1994 and 1993, and the related statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Electric Utility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Riverside Electric Utility as of June 30, 1994 and 1993, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

November 30, 1994

**CITY OF RIVERSIDE WATER UTILITY
BALANCE SHEETS**

	June 30 1994	June 30 1993
<i>(In Thousands)</i>		
ASSETS		
Utility plant:		
Source of supply	\$ 16,774	\$ 15,777
Pumping	7,681	6,902
Treatment	326	326
Transmission and distribution	141,839	133,010
General	4,617	4,429
Intangible	<u>5,533</u>	<u>5,543</u>
	176,770	165,987
Less accumulated depreciation and amortization	<u>(49,135)</u>	<u>(45,747)</u>
	127,635	120,240
Construction in progress	<u>12,059</u>	<u>14,641</u>
Total utility plant	<u>139,694</u>	<u>134,881</u>
Restricted assets	<u>18,143</u>	<u>19,805</u>
Current assets:		
Cash and investments	15,278	19,031
Accounts receivable, net	2,574	2,624
Accrued interest receivable	<u>261</u>	<u>269</u>
Total current assets	<u>18,113</u>	<u>21,924</u>
Other assets	<u>770</u>	<u>832</u>
Total assets	<u>\$176,720</u>	<u>\$177,442</u>

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

**CITY OF RIVERSIDE WATER UTILITY
BALANCE SHEETS**

	<i>June 30</i>	<i>June 30</i>
	1994	1993
	<i>(In Thousands)</i>	
CAPITALIZATION AND LIABILITIES		
Customers' equity:		
Retained earnings		
Reserved	\$ 6,381	\$ 6,332
Unreserved	<u>19,127</u>	<u>20,928</u>
Total retained earnings	25,508	27,260
Contributed capital	<u>96,239</u>	<u>93,349</u>
Total customers' equity	121,747	120,609
Long-term obligations, less current portion	<u>49,835</u>	<u>50,989</u>
Total capitalization	<u>171,582</u>	<u>171,598</u>
Current liabilities payable from restricted assets:		
Accrued interest payable	654	675
Current portion of long-term obligations	<u>1,805</u>	<u>1,710</u>
Total current liabilities payable from restricted assets	<u>2,459</u>	<u>2,385</u>
Current liabilities:		
Accounts payable	524	874
Accrued liabilities	1,690	2,130
Current portion of long-term obligations	190	190
Customer deposits	<u>275</u>	<u>265</u>
Total current liabilities	<u>2,679</u>	<u>3,459</u>
Commitments and contingencies		
Total capitalization and liabilities	<u>\$176,720</u>	<u>\$177,442</u>

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

**CITY OF RIVERSIDE WATER UTILITY
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS**

For the Fiscal Years Ended June 30

	1994	1993
OPERATING REVENUES:		
Residential sales	\$12,010	\$11,808
Commercial sales	5,748	5,948
Other sales	210	207
Other operating revenues	<u>335</u>	<u>352</u>
Total operating revenues	<u>18,303</u>	<u>18,315</u>
OPERATING EXPENSES:		
Operations	8,563	9,251
Maintenance	2,256	2,490
Purchased energy	2,721	2,713
Purchased water	384	318
Depreciation and amortization	<u>3,517</u>	<u>3,243</u>
Total operating expenses	<u>17,441</u>	<u>18,015</u>
Operating income	<u>862</u>	<u>300</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	1,720	2,715
Interest expense	(3,500)	(3,552)
Gain on retirement of utility plant	5	52
Other	<u>1,267</u>	<u>1,522</u>
Total non-operating revenues (expenses)	<u>(508)</u>	<u>737</u>
Income before operating transfers	354	1,037
OPERATING TRANSFER OUT:		
General fund contribution	<u>(2,106)</u>	<u>(1,953)</u>
Net loss	(1,752)	(916)
RETAINED EARNINGS, JULY 1	<u>27,260</u>	<u>28,176</u>
RETAINED EARNINGS, JUNE 30	<u>\$25,508</u>	<u>\$27,260</u>

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

**CITY OF RIVERSIDE WATER UTILITY
STATEMENTS OF CASH FLOWS**

For the Fiscal Years Ended June 30

	1994	1993
	<i>(In Thousands)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	\$18,363	\$18,342
Cash paid to suppliers and employees	<u>(14,714)</u>	<u>(14,408)</u>
Net cash provided by operating activities	<u>3,649</u>	<u>3,934</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating transfers out	(2,106)	(1,953)
Non-operating revenue	<u>1,267</u>	<u>1,522</u>
Net cash used by non-capital financing activities	<u>(839)</u>	<u>(431)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of utility plant	(6,182)	(11,330)
Proceeds from the sale of utility plant	90	153
Principal paid on long-term obligations	(1,794)	(1,692)
Interest paid on long-term obligations	(2,724)	(2,819)
Contributed capital	<u>657</u>	<u>1,239</u>
Net cash used by capital and related financing activities	<u>(9,953)</u>	<u>(14,449)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Income from investments	<u>1,728</u>	<u>2,821</u>
Net (decrease) in cash and cash equivalents	(5,415)	(8,125)
CASH AND CASH EQUIVALENTS, JULY 1	<u>38,836</u>	<u>46,961</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$33,421</u>	<u>\$38,836</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 862	\$ 300
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	3,517	3,243
(Provision) recovery for uncollectible accounts receivable	(114)	16
Decrease in accounts receivable	164	108
Increase (decrease) in accounts payable	(350)	257
Increase (decrease) in accrued liabilities	(440)	107
Increase (decrease) in customer deposits	<u>10</u>	<u>(97)</u>
Net cash provided by operating activities	<u>\$ 3,649</u>	<u>\$ 3,934</u>
SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Contributions in aid of construction	<u>\$ 2,233</u>	<u>\$ 616</u>
Purchase of equipment through capital lease	<u>\$ 0</u>	<u>\$ 55</u>

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

**CITY OF RIVERSIDE WATER UTILITY
NOTES TO THE FINANCIAL STATEMENTS**

**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. 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. Contributed plant is valued at its estimated fair market value on the date contributed. The cost of relatively minor replacements is included in maintenance expense.

Depreciation is recorded 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

RESTRICTED ASSETS

Proceeds of revenue bonds yet to be used for capital projects, as well as certain resources set aside for debt service, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

CASH AND INVESTMENTS

The City pools idle cash from all funds for the purpose of increasing income through investment activities. Investments are carried at cost, the market value of which is \$31,502,000 at June 30, 1994. Interest income on investments is allocated to the various funds of the City on the basis of average daily cash and investment balances.

All highly liquid investments, including restricted assets with a maturity of three months or less when purchased, are considered cash equivalents. Cash and investments held on behalf of the Water Utility by the City Treasurer are considered highly liquid and are classified as cash equivalents in the statement of cash flows.

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.

**BOND DISCOUNTS, CAPITAL APPRECIATION
AND ISSUANCE COSTS**

Bond discounts, capital appreciation and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts and capital appreciation are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred charges. Capital appreciation is the annual increase in the value of bonds originally issued at a discounted amount. These bonds receive no annual interest payments and mature at a pre-determined par value.

CONTRIBUTED CAPITAL

Amounts received from customers and others for constructing utility plant are combined with retained earnings to represent customers' equity. Accordingly, contributed capital is shown in the accompanying balance sheet as an equity account and is not offset against utility plant. Depreciation on contributed assets is expensed.

CUSTOMER DEPOSITS

The City holds customer deposits as security for the payment of utility bills. The Water Utility's portion of these deposits as of June 30, 1994 and 1993, was \$275,000 and \$265,000, respectively.

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 totaled \$1,195,000 at June 30, 1994, and \$1,122,000 at June 30, 1993.

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 \$275,000 at June 30, 1994, and \$389,000 at June 30, 1993.

**CITY OF RIVERSIDE WATER UTILITY
NOTES TO THE FINANCIAL STATEMENTS**

COMPENSATED ABSENCES

The accompanying financial statements include accruals for salaries, fringe benefits and compensated absences due employees. The Water Utility treats compensated absences due employees as a current liability. The amount accrued for compensated absences was \$1,690,000 at June 30, 1994, and \$1,609,000 at June 30, 1993.

Employees receive 10 to 25 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 any unused sick leave. A liability is recognized for the portion of accumulated sick leave benefits that 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 that 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 incurred but unreported claims based upon past experience, modified for current trends and information.

While the ultimate amount of losses incurred through June 30, 1994, is dependent upon future developments, management believes that amounts paid are sufficient to cover such losses.

DEFERRED COMPENSATION AND EMPLOYEE RETIREMENT PLANS

Deferred Compensation Plan

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

All amounts of compensation deferred under the plan and all related income are (until paid or made available to the employee 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 deferred compensation plan are equal to those of the City's general creditors in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Employee 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 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. As an example, 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 Water Utility pays both the employee and employer contributions. Citywide information concerning elements of unfunded pension benefit obligations, contributions to PERS for the year ended June 30, 1994, and recent trend information may be found in the notes of the City's "Comprehensive Annual Financial Report" for the fiscal year ended June 30, 1994.

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 1993-94 and 1992-93, the Water Utility transferred 11.5 percent of gross operating revenues, or \$2,106,000 and \$1,953,000, respectively.

**CITY OF RIVERSIDE WATER UTILITY
NOTES TO THE FINANCIAL STATEMENTS**

BUDGETS AND BUDGETARY ACCOUNTING

The Water Utility presents, and the City Council adopts, an annual budget. The proposed budget includes estimated expenses 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 expenses for fiscal year 1993-94 amounted to \$39,606,000, while the adopted fiscal year 1994-95 budget totals \$38,827,000.

RECLASSIFICATIONS

Certain reclassifications have been made to the prior year's financial statements to conform with the current year's presentation.

**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, 1994 (in thousands):

	Balance JULY 1, 1993	INCREASE	DECREASE	Balance JUNE 30, 1994
Certificates of participation	\$ 62	\$0	\$ 31	\$ 31
Contracts payable/capital lease	1,369	0	52	1,317
Revenue bonds payable	67,530	0	1,710	65,820
Unamortized capital and bond discount	(16,072)	0	(734)	(15,338)
Total	<u>\$52,889</u>	<u>\$0</u>	<u>\$1,059</u>	<u>\$51,830</u>

Annual debt service requirements to maturity as of June 30, 1994, are as follows (in thousands):

	1995	1996	1997	1998	1999	THEREAFTER	TOTAL
Certificates of participation, contracts payable/capital lease	\$ 190	\$ 161	\$ 161	\$ 159	\$ 159	\$ 518	\$ 1,348
Bond interest payable	2,568	2,468	2,359	2,239	2,111	18,605	30,350
Bond principal payable	2,588	2,736	2,907	3,081	3,275	51,233	65,820
Unamortized capital and bond discount	(783)	(836)	(892)	(951)	(1,015)	(10,861)	(15,338)
Total	<u>\$4,563</u>	<u>\$4,529</u>	<u>\$4,535</u>	<u>\$4,528</u>	<u>\$4,530</u>	<u>\$59,495</u>	<u>\$82,180</u>

CERTIFICATES OF PARTICIPATION

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 AND CAPITAL LEASE

Contracts payable at June 30, 1994, consist of water stock acquisition rights in the amount of \$1,281,000 payable on demand to various water companies. The Water Utility's share of equipment purchased through a capital lease in the amount of \$36,000 is due in monthly installments of \$1,031 through November 1, 1997 at 8.0 percent interest.

REVENUE BONDS PAYABLE AT JUNE 30, 1994

\$69,840,000 1991 Water Revenue Bonds: \$25,050,000 serial bonds due in annual installments from \$1,805,000 to \$3,100,000 through October 1, 2002, interest from 5.3 percent to 9.0 percent; and \$25,900,000 serial capital appreciation bonds due in annual installments from \$3,235,000 to \$3,240,000 from October 1, 2003, to October 1, 2010, interest from 6.65 percent to 7.0 percent; and \$18,890,000 term bonds due October 1, 2015, at 6.0 percent	\$65,820,000
Less: Unamortized capital appreciation	(15,026,000)
Unamortized bond discount	(312,000)
Total water revenue bonds payable	<u>\$50,482,000</u>

**CITY OF RIVERSIDE WATER UTILITY
NOTES TO THE FINANCIAL STATEMENTS**

DEBT SERVICE COVERAGE RATIO

The Water Utility's bond indenture requires the Utility to maintain a debt service coverage ratio, as defined in the bond covenants, of 1.25. The Water Utility's debt service coverage ratio was 1.60 at June 30, 1994.

**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, 1994, 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.

**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.

**NOTE 5
SUBSEQUENT EVENT**

**FINANCING AUTHORITY FOR RESOURCE
EFFICIENCY OF CALIFORNIA (FARECAL)**

On July 1, 1993, the City of Riverside joined with the cities of Anaheim, Colton, Compton, Healdsburg, Los Angeles, Palo Alto, Pasadena, Redding, Santa Cruz; the North Marin Water District; the Northern California Power Agency (NCPA); the Sacramento Municipal Utility District; and Turlock Irrigation District to create the Financing Authority for Resource Efficiency of California (FARECal). The primary purpose of the Authority is to issue bonds and use the proceeds to promote, advance, encourage and participate in conservation, reclamation and other programs that are designed to utilize energy or water resources more efficiently. The Authority is administered by a Board of Directors comprised of one representative from each Charter Member (the cities of Anaheim, Los Angeles, Palo Alto and Riverside and the North Marin Water District) and three voting-based directors, which currently are representatives from NCPA, and the cities of Compton and Pasadena.

In July 1994, the Authority issued \$19,470,000 in electric and water revenue bonds. The proceeds of the bonds will be used to finance a portion of the costs of five separate programs for the cities of Anaheim, Pasadena and Riverside. The City of Riverside Water Utility's share of this bond issuance totals \$4.7 million. The Water Utility is obligated only for their portion of the total debt issuance. The bonds bear interest at rates of 4.60 percent to 5.90 percent and mature serially in annual principal amounts ranging from \$385,000 to \$1,430,000 beginning July 1997. The term bonds bear interest at rates of 6.00 percent and mature on July 1, 2017. The bonds are payable solely from program revenues, which come from installment payments from each participant. Installment payments are payable solely from utility revenues.

INDEPENDENT AUDITORS' REPORT

To the Honorable City Council and Board of Public Utilities

City of Riverside, California

We have audited the accompanying balance sheets of the City of Riverside Water Utility as of June 30, 1994 and 1993, and the related statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Water Utility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Riverside Water Utility as of June 30, 1994 and 1993, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

November 30, 1994



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OSBORNE, RAPHAEL DE LA CRUZ, JACQUELINE MIMMS, DAVID MACHER

RIVERSIDE PUBLIC UTILITIES EMPLOYEES

THIS REPORT IS DEDICATED TO THE EMPLOYEES OF RIVERSIDE PUBLIC UTILITIES WHO SERVE THE WATER AND ELECTRIC NEEDS OF THE CITIZENS OF RIVERSIDE, 24 HOURS A DAY, SEVEN DAYS A WEEK.

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Director

Michael Baldwin
Assistant Director, Operations

Dieter Wirtzfeld
*Assistant Director,
Engineering and Resources*

David Wright
*Assistant Director,
Finance and Administration*

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RIVERSIDE PUBLIC UTILITIES
CITY HALL 3900 MAIN STREET
RIVERSIDE, CA 92522

909.782.5506 FAX 909.369.0548