PERSPECTIVES

RIVERSIDE PUBLIC UTILITIES 1991-1992 ANNUAL REPORT

Nothing ever stays the same. I guess you could say that's a matter of perspective. But sometimes it seems like there's more truth in that adage with each year that passes.

Changing times and diminishing resources are requiring new perspectives for the management of public utilities and the utilization of our natural resources. The key to success for Riverside Public Utilities in the 1991-1992 fiscal year was the ability to recognize change as a challenge to better itself.

Thanks to the combined efforts of many people, Riverside Public Utilities extended its role as a major force in the public utility industry during a year when our nation's attention was focused on the economy. However, we were not entirely immune to the effects of the recession. Like most businesses, we have had more pressure placed upon us to reduce cost without sacrificing service.

Recognizing that opportunities come in many forms, Riverside Public Utilities seized this time to refine its strategy and maintain the proper balance between aspects at the forefront of the utility: our business, our environment, our public, our employees and our financial viability. We have tried to avoid short-term cost reductions that end up becoming long-term cost increases. We have also grown more responsive to our customers, realizing that they have concerns of their own as a result of the recession.

I believe it's been a rather unusual year for utilities across the nation. But with strife comes triumph. Riverside Public Utilities has remained strong during these fluctuating times. As a consumer-owned utility, we will continue to posture ourself, our community and our resources for an ever-changing world and a successful future.

Bill D. Carnahan, Director
Riverside Public Utilities

As a consumer-owned utility, Riverside Public Utilities provides testimony to the power behind perspective. Riverside's early settlers believed in the benefits of establishing their own public utility system, chiefly lower rates, reliable service and local control of a valuable community resource.

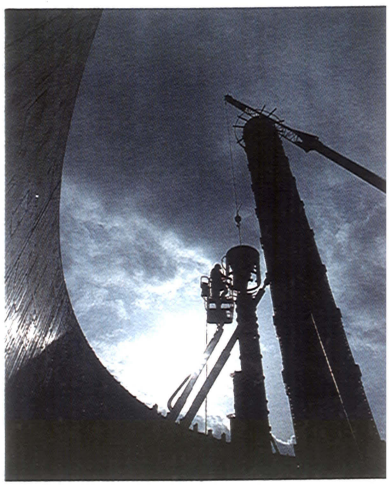
In 1895, the Riverside Electric System became one of California's first public utilities, delivering power to a city that had turned on its first electric lights in 1888. Capitalizing on the benefits of local control, Riverside added water service to its public utility in 1913 by purchasing water rights and systems from three separate companies.

Over the years, as the systems developed, Riverside continued to strive for greater and greater independence. In order to secure its own future, Riverside Public Utilities made the strategic decision to free itself from dependency on imported water and a single power supply source. This perspective has remained the motivating force behind Riverside Public Utilities' prosperity.

Today, Riverside's public power system draws its strength from its diversity. This year alone, Riverside increased the energy resources it controls in partnership with other utilities by nearly 20%, to 90% of its total power supply. Fossil-fuels account for more than 50% of Riverside's supply mix, nuclear facilities provide almost 20%, and hydroelectric power and contract purchases contribute another 20%. Riverside's water utility also has flourished due to independent resources. During the 1960s, Riverside's water supply was enhanced by further water company acquisitions and the drilling of additional wells. Now with 47 operating wells, more than 90% of Riverside's water resources during the past five years have been supplied from local aquifers.

Covering almost 80 square miles, Riverside has grown to a city of more than 238,000 people. This year, nearly 88,000 electric customers and more than 60,000 water customers depended on Riverside Public Utilities daily for the electricity and water needed to run their homes and businesses. Loyal to the city's motto, "people helping people," Public Utilities Customer Service employees handled over 220,000 telephone calls and greeted more than 103,500 customers at walk-in and drive-through facilities during the year.

Riverside's community leaders have long recognized the power in perspective. By embodying the American values of competition, entrepreneurship and democracy, Riverside Public Utilities continues to enrich the quality of life in Riverside.



TWO NEW RESERVOIRS, THE 7.5 MILLION GALLON VAN BUREN RESERVOIR (ABOVE) AND THE 3 MILLION GALLON UNIVERSITY RESERVOIR (RIGHT), ARE CURRENTLY UNDER CONSTRUCTION AND WILL SUPPLY ADDITIONAL WATER STORAGE CAPACITY, FULFILL REQUIREMENTS OF LOCAL WATER PRESSURE ZONES, AND SUPPORT EMERGENCY AND FIRE PROTECTION SERVICES WITHIN RIVERSIDE.

Business Perspective

Measuring the success of a business is more than a matter of statistics. At Riverside Public Utilities, business accomplishments, environmental prowess, public service, employee morale and fiscal strength are all considered strong evidence of success. In these respects, 1991-1992 was a profitable year for Riverside Public Utilities. But it wasn't a year for business as usual. The national recession manifested itself in the form of tighter fiscal controls, reductions in consumption, and slower than normal growth. Answering the call of this fierce adversary, Riverside Public Utilities responded by charting broader paths in the power supply arena, reinforcing its commitment to business, enhancing its water supply, and reaching out to residential consumers.

Charting New Pathways for Power

Riverside Public Utilities' 1992 Resource Plan maps new pathways for supplying the city's current and future energy demands. Cognizant of acquisition trends that point out the advantages of contracts over ownership, Riverside Public Utilities completed two major power supply agreements during the 1991-1992 fiscal year. Contracts for 20 megawatts of peak-seasonal power and 52 megawatts of baseload power were signed with the California Department of Water Resources (CDWR) and the Deseret Generation and Transmission Cooperative, respectively. Under the CDWR contract, which became effective in May of 1992, Riverside only takes and pays for capacity and energy resources during the hot summer months when the demand for electricity typically increases. In contrast, Riverside's contract with Deseret Generation and Transmission Cooperative supplies five megawatts of baseload capacity starting in 1992 and an additional 47 megawatts of baseload capacity from 1995 through 2009. The net present worth of power supply savings from these two acquisitions in comparison to wholesale purchases from Southern California Edison is $69.9 million.

But just purchasing power doesn't guarantee its usefulness. Transmission constraints continue to be one of the challenges of bringing electricity to Riverside. Obtaining transmission rights for identified power options generally requires an effort equivalent to acquiring the power supply itself. Riverside's acquisition of rights on the Mead-Adelanto, Mead-Phoenix and Adelanto-Lugo transmission lines, which are due for completion in 1996, will open markets in the Northwest and Southwest.

In 1991-1992, Riverside Public Utilities conducted an ongoing review and evaluation of system loads and resource requirements, and negotiated power supply agreements that resulted in the acquisition of 72 megawatts of cost-effective long-term capacity.

In order to realize further savings due to economies of scale, Riverside continues to serve the cities of Azusa, Banning and Colton as their agent in the wholesale power arena through the Power Agency of California (PAC), a joint powers agency formed in 1990-1991. As a result, Riverside received more than $292,000 for providing its services this year. Extending this commitment, Riverside signed a Personal Services Agreement with PAC that will help ease negotiation of joint projects by allowing single representation at reduced costs.

Lighting the Way to Commercial Growth and Energy Efficiency

Commercial expansion of the electric distribution system remained active during the 1991-1992 fiscal year. One indicator of this growth was the demand for energy. Overall customer demand for electricity grew by 9 million kilowatt-hours in 1991-1992 to a total of 1,504 million kilowatt- hours. This increase in consumption is directly attributable to commercial and industrial customers.

Assisting in the city's effort to expand the business sector, Riverside Public Utilities completed the conversion of overhead to underground distribution and subtransmission lines at the Riverside Marketplace, a large-scale redevelopment project to transform an aging and blighted industrial area into a vital commercial, retail and entertainment center.

Other major electric system projects initiated in fiscal year 1991-1992 include a $3.9 million renovation and capacity upgrade of the Riverside substation; construction of the University of California at Riverside (UCR) substation; and final design of a new Utilities Operations Center, which will house field forces and customer service personnel.

Riverside Public Utilities also assisted commercial and industrial customers in implementing efficiency measures by providing free energy and water surveys. The surveys are conducted by trained specialists who assess and recommend cost-effective improvements in lighting,

CONSERVATION SERVICES STAFF HAV CONDUCTED FREE ENERGY AND WA TER SURVEYS OF RIVERSIDE UNIFIE SCHOOL DISTRICT FACILITIES. TH SCHOOL DISTRICT IS CURRENTLY CONDUCTING A RETROFIT OF ITS FLUORESCENT LIGHTING AS PART OF ITS OWN ENERGY AND WATER CONSERVATION PROGRAM, WHICH IS PROJECTED TO SAVE THE DISTRICT AN ESTIMATED $1 MILLION IN THE FIRST YEAR.

heating, air conditioning, equipment motors, insulation, indoor and processed water use, landscaping, and building construction. Energy and water efficiency measures are prioritized based on customer payback and estimated savings. Depending on the size of the business, savings can range from several hundred dollars to hundreds of thousands of dollars. In 1991-1992, nearly 50 businesses, ranging from small offices to restaurants to large industrial plants, received free energy and water audits as a part of Riverside Public Utilities' Commercial and Industrial Conservation Services Program.

Commercial interest in energy incentive and rebate programs was further strengthened with the launch of Riverside Public Utilities' Commercial Air Conditioning Rebate Program and the award of the first rebate check of $230 to The Brockton Group. Progress is also being made toward the first rebates under Riverside Public Utilities' Thermal Energy Storage (TES) Program.

TES systems, which store energy during off-peak hours for use later in the day, represent prime opportunities to control peak loads. Working with Riverside Public Utilities, UCR commenced construction of a TES system designed to cool its new student recreation center. UCR also began final design of a second TES system to cool more than 1.5 million square feet of the university's existing and proposed facilities. Completion of the student recreation system is projected for 1993, while the university system is slated to be finished in 1994. These two TES projects are expected to reduce peak loads by more than four megawatts. TES projects of this magnitude defer additional capacity purchases by shifting usage to off-peak periods and thus help keep electric generation costs low.

Along these same lines, construction of the proposed Utilities Operations Center includes plans for a TES demonstration system as a means of spurring further public interest and understanding of this technology.

Channeling Our Water Resources

Riverside Public Utilities responded to the statewide drought and demand for water with the construction of two new reservoirs, the 3 million gallon University reservoir and the 7.5 million gallon Van Buren reservoir. These reservoirs will provide additional water storage capacity to meet peak water demand, fulfill capacity requirements of local water pressure zones, and support emergency and fire protection services within the city. Projected completion date for the University reservoir is June 1993, followed by the Van Buren reservoir in January 1994.

The reliability and caliber of Riverside's water system was further enhanced in 1991-1992 with the completion of $2.7 million in water system construction and repair projects.

Assisting Residential Customers

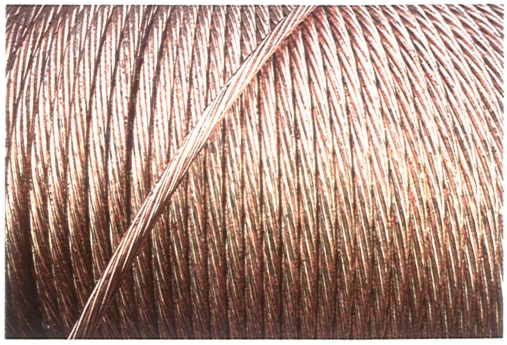
Conservation and rebate programs provided residential customers with opportunities to save on their utility bills by installing energy efficient products to reduce their consumption of electricity and water. During the year, Riverside Public Utilities distributed more than 13,100 pieces of water and energy education and conservation materials in response to customer requests. As a result, participation in Riverside Public Utilities conservation and rebate programs grew.

- A total of $78,935 was dispersed among 426 customers who applied for COOL CA$H air conditioning rebates. In 1991-1992, rebates provided under the COOL CA$H program represent an estimated 341.8 kilowatt reduction in power demand to the utility.
- Pool owners took advantage of the savings offered by the Swimming Pool Pump Credit Program. A total of 3,090 pool owners received an annual rebate of $36 for setting their pool pump to off-peak hours, accounting for a total of $111,240 in utility bill credits and representing an estimated 3.4 megawatt reduction in peak demand to the utility.
- Community members continued to respond to the second year of the city's water conservation campaign as Riverside Public Utilities distributed a record 99,500 free water conservation kits and more than 12,700 free low-flow showerheads.

In 1991-1992, expansion of the residential electric distribution system in development areas slowed in response to the economic downturn. Economics, conservation and cool weather all contributed to declines in electric and water consumption during the fiscal year. The average annual kilowatt-hours used per residential customer dropped from 6,972 to 6,685, while the average annual water consumption per residential customer dropped from 306 to 287 hundred cubic feet.

Assuring Public Benefits

As evidenced in this annual report, providing water and electric service in a safe, reliable, environmentally sensitive, and fiscally responsible manner is the mission of Riverside Public Utilities. Assuring that the benefits of the utility as a business accrue to the citizens and society in general is the business of Riverside Public Utilities.



NEARLY 88,000 ELECTRIC CUSTOMERS AND MORE THAN 60,000 WATER CUSTOMERS DEPEND ON RIVERSIDE PUBLIC UTILITIES TO PROVIDE THE ELECTRICITY AND WATER NEEDED TO RUN THEIR HOMES AND BUSINESSES.

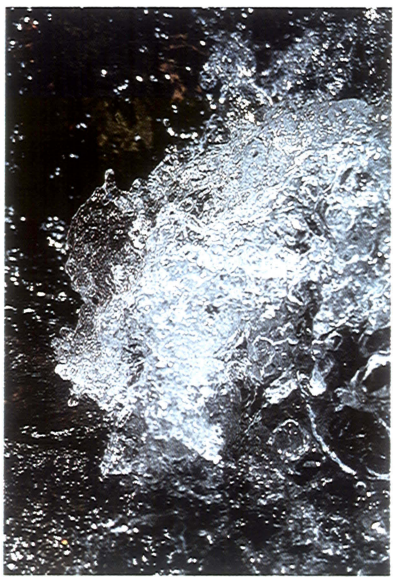
ELECTRIC SYSTEM GROWTH

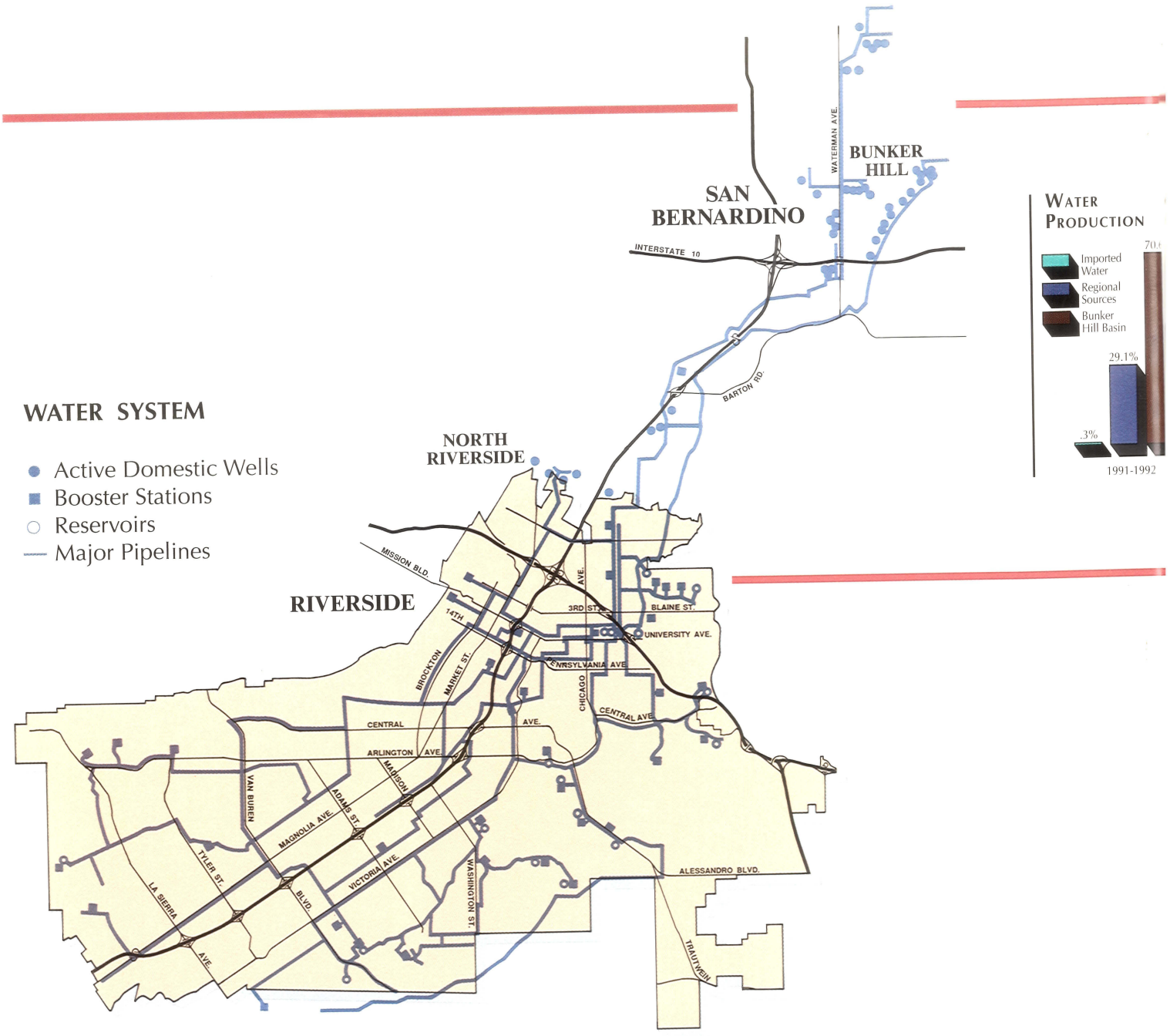
NEW RESIDENTIAL SERVICES	1,145
NEW COMMERCIAL/INDUSTRIAL SERVICES	283
NEW OVERHEAD DISTRIBUTION LINES	-1.0 MILES*
NEW UNDERGROUND DISTRIBUTION LINES	3.0 MILES
CONVERSION OF 4KV TO 12KV LINES	10.8 MILES

WATER SYSTEM GROWTH

NEW WATER SERVICES	360
NEW WATER MAINS AND APPURTENANCES	13.45 MILES
WELL PRODUCTION	21.13 BILLION GALLONS
NEW BOOSTER STATION CAPACITY	7.61 MILLION GALLONS/DAY

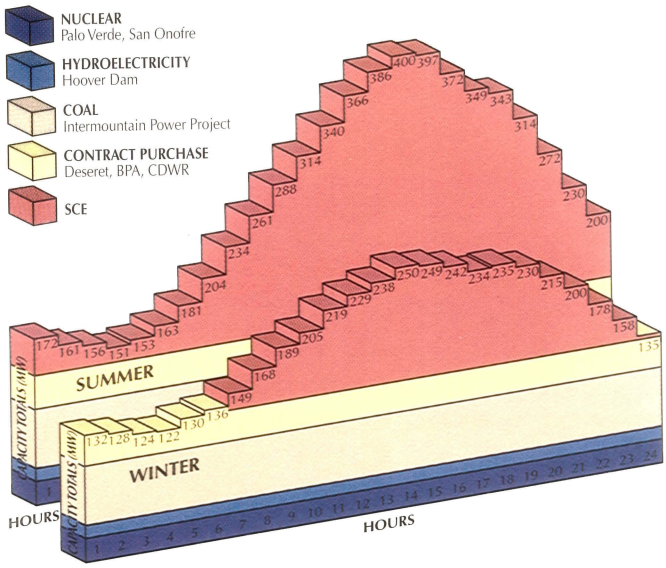
* MORE EXISTING OVERHEAD DISTRIBUTION LINES WERE PLACED UNDERGROUND THAN NEW LINES ADDED RESULTING IN A NET DECREASE TO THE OVERHEAD SYSTEM.



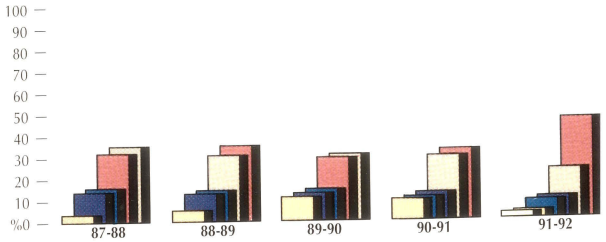


Water Production

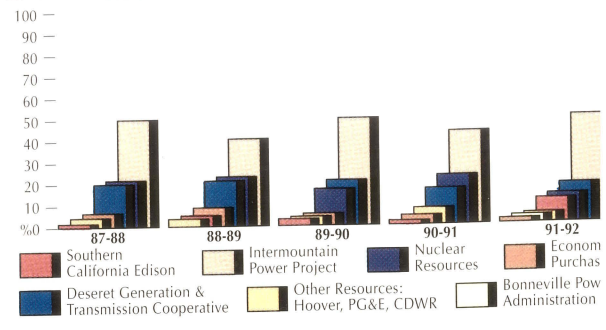
Peak Capacity Summary



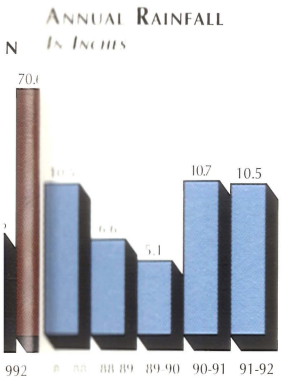
Capacity Resources

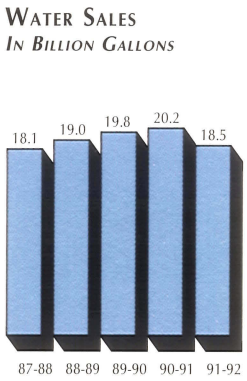


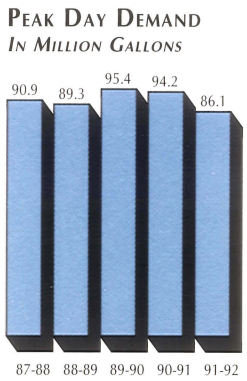
Energy Resources



Water System 1991-1992







"Providing utility service is a very complicated business. It's our job to provide our customers with the best options for providing service. We take that commitment very seriously. The crucial nature of both water and electric service to the well-being, comfort and necessity of our citizens makes public ownership and public utility synonymous."

Dieter Wirtzfeld,

Assistant Director

Engineering and Resources

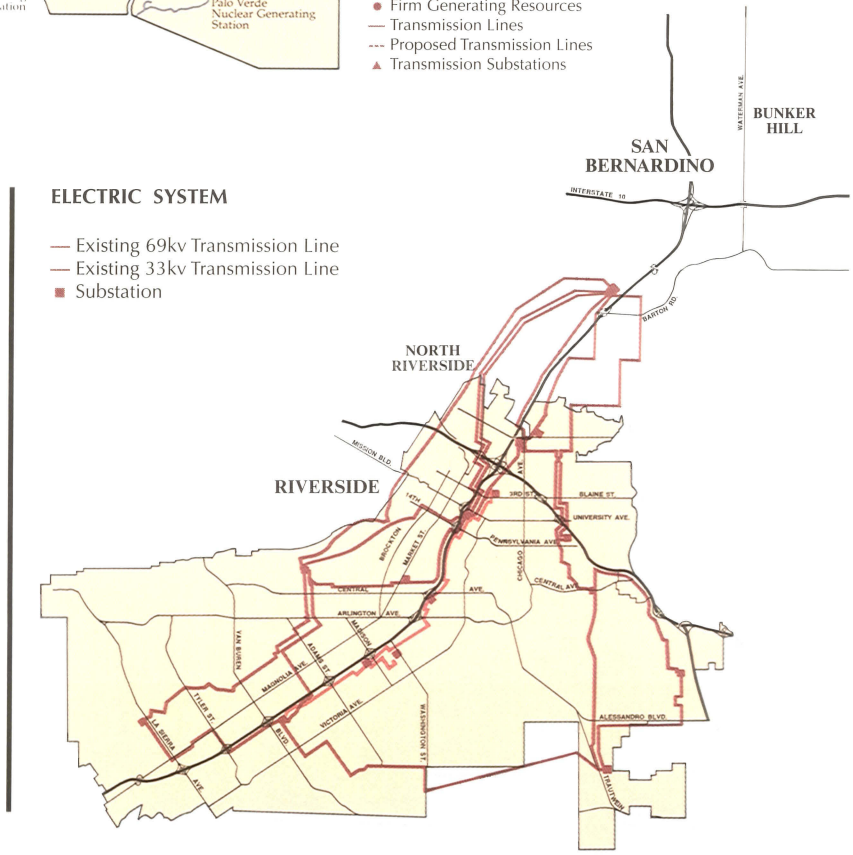
Electric System 1991-1992

TRANSMISSION PROJECTS

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

RESOURCES

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



A SIXTH YEAR OF DROUGHT IN CALIFORNIA MEANT CONTINUED WATER CONSERVATION AND AWARENESS EFFORTS THROUGHOUT THE STATE. VOLUNTARY CONSERVATION MEASURES REMAIN IN EFFECT IN RIVERSIDE.

ENVIRONMENTAL PERSPECTIVE

In California, even the trees will recall this year as environmentally demanding. With the close of the fiscal year and forecasts for an unprecedented seventh year of state drought, hydrologists are predicting the dry spell will exceed those found in tree-ring records dating as far back as 1560. Couple this with other environmental issues, such as protecting our air and water resources from pollution, controlling nuclear waste and hazardous materials from generating stations, and researching the effects of electromagnetic fields, and you've got plenty of reasons why environmental issues are fast becoming a driving force in today's power supply and water picture.

Regulations on both the electric and water sides are becoming even more stringent as society becomes more aware of the impact of various compounds and processes on human life, as well as the environment as a whole. In order to be responsive to its customers and to the greater good of society, Riverside Public Utilities addresses more and more environmental issues with each passing year.

Tackling the Issues

- The Environmental Protection Agency's (EPA) Lead and Copper Rule took effect in January 1992, mandating an aggressive residential water quality monitoring program. The rule requires initial monitoring of consumer household taps for lead and copper concentrations, as well as distribution system locations for water quality parameters, twice a year. During the first six-month sampling period, water quality samples taken from 119 high-risk homes were well within the standards established by the EPA.

- Investigations conducted by the Air Force in 1992 have confirmed contamination from a TCE chemical plume extends beyond the Norton Air Force Base boundary, an EPA Superfund site. The city has requested the Air Force take reasonable measures to prevent further migration of the plume and contamination of city wells. As a result, Riverside and other local water purveyors are negotiating with the Air Force for the replacement or cleanup of water supplies affected by contamination attributable to Norton AFB activities.

- A sixth year of drought in California meant continued water conservation and water awareness efforts throughout the state. While California did receive some heavy rains during the spring of 1992, most of the rainfall occurred in the southern part of the state where few water storage facilities exist. Voluntary conservation measures remain in effect in Riverside.

- Customer requests for electromagnetic field (EMF) readings of their property were handled by trained electric utility staff using protocols established by the California Department of Health Services. Interestingly, survey results often attributed the highest levels of EMF readings to home electrical appliances instead of electric lines. While no clear correlation between EMF exposure and health effects has been shown, Riverside Public Utilities is cooperating with the state and other utilities to fund further research.

- Surcharges on imported energy based upon compliance of the supply source with air emission standards were approved by the California Energy Commission. Riverside's current and committed supply sources are in compliance with established emission standards, however, future changes in standards could result in additional costs.

- Environmental permits and fees are now mandated by the California Fish and Game Authority to monitor the release of wastewater into rivers and streams.

- A National Pollution Control Elimination Study is now required for all projects covering five or more acres.

- Coastal Sage Scrub, a plant on the endangered species list, has been found on the hillsides of Riverside, resulting in comprehensive biological studies of planned water and electric facilities.

During the year, Riverside Public Utilities has also given careful thought to the emerging concept of "externalities," which requires consideration of environmental costs in power supply economics. This concept has necessitated the evaluation of physical and social impacts of generation resources, thereby increasing the importance of quantifying costs associated with environmental impacts and mitigation measures in the planning, development and utilization of generating systems.

In addition, utilities have been deluged with more opportunities and pressures to spend money on indirect environmental improvements, which means participating in programs that directly benefit the environment, but indirectly benefit the utility. An example of one of these programs is electric vehicles. The primary benefit of electric vehicles is clean air. While Riverside Public Utilities plans to be involved in demonstrating electric vehicle technology and participating in the movement, it derives what might be considered a secondary benefit from the program, a general increase in the market demand for electricity.

Figuring in the Costs

Protecting the environment is not without its costs. Personnel and materials costs are often weighed against environmental benefits. Even so, many utilities are spending more than they ever have before for environmental measures. On the water side, where environmental concerns and regulations seem to have burgeoned, water quality issues are becoming more prevalent and more costly. Utilities are not only looking at tremendous costs associated with cleaning up the past misdeeds of others, but the possibility of expensive treatment methods to meet the new requirements of national legislation. On the electric side, there are issues such as electromagnetic fields that could have a very dramatic impact on how utilities conduct business and the cost of providing service. Ultimately, the costs of such environmental measures are often passed along to consumers. Fortunately, studies indicate that the majority of utility customers, if they understand the nature of these environmental expenditures, are generally willing to pay more for these protection measures.

"We would be foolish, I would think, if we did not protect the environment from harm. We must accept our role as a good neighbor for those people who are affected by our business."

Michael Baldwin,
Assistant Director Operations

In order to protect ourselves against the forces of nature, disaster preparedness steps often call for the construction and funding of utility projects. In 1991-1992, Riverside Public Utilities completed preliminary design of approximately $2 million in seismic improvements for the 16 million gallon Evans reservoir. Funding of the improvements is scheduled for the 1993-1994 fiscal year. Final design is also underway for the Mockingbird Canyon Spillway, a $1.3 million project required by the state Division of Safety of Dams for storm control.

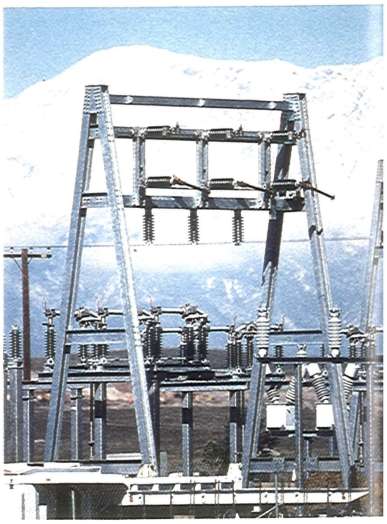
Harvesting the Benefits

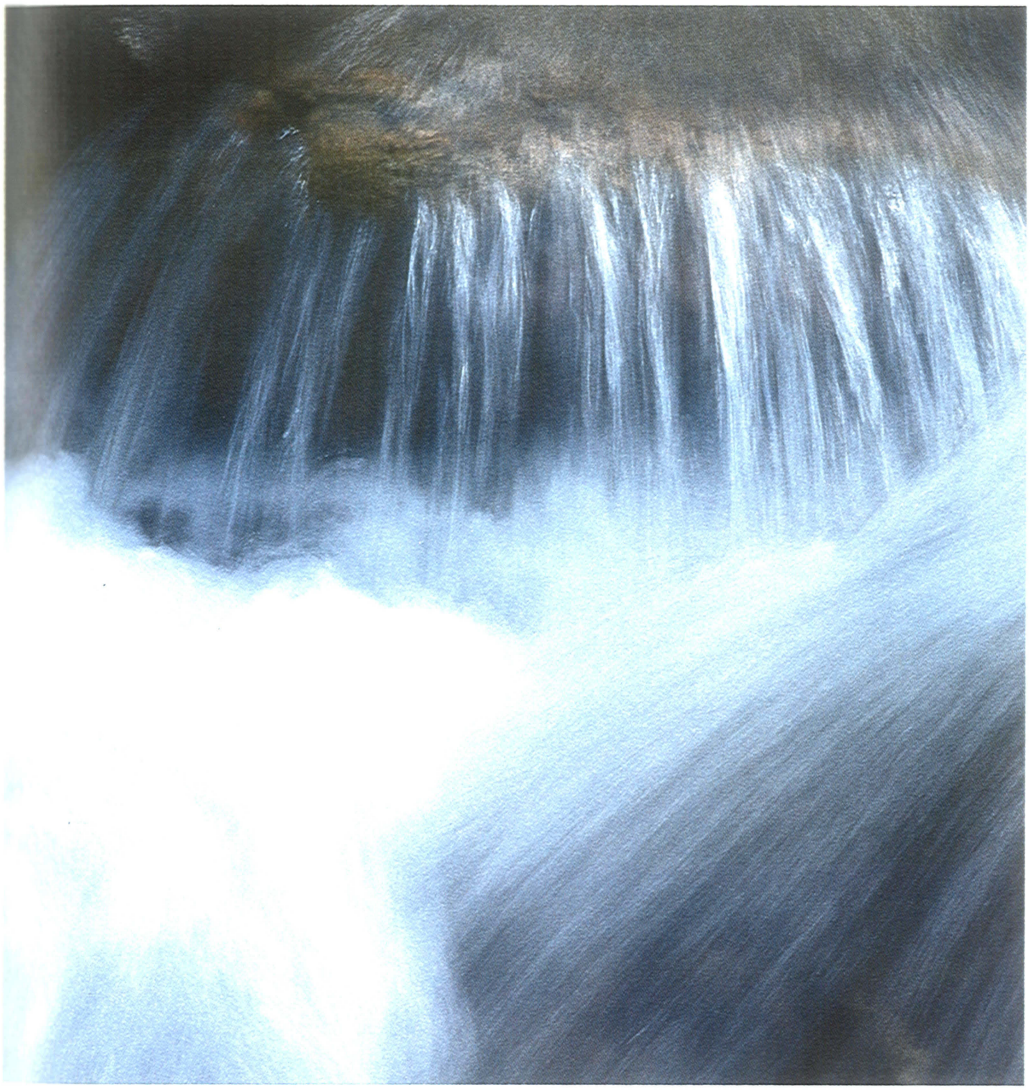
But Riverside is not without its rewards for protecting and preserving the environment. Seeing the results of its environmental efforts is the compensation reaped by the customer-owners of Riverside Public Utilities.

In 1991-1992, Riverside Public Utilities' water supply met or exceeded all federal and state drinking water standards. A total of 6,450 water quality samples were collected and tested during the 1991-1992 fiscal year. Adoption of additional drinking water standards for synthetic organic chemicals and inorganic chemicals by the Environmental Protection Agency (EPA) has not necessitated further treatment measures.

Water consumption in Riverside declined by 6% over last year's figures due to cooler weather and conservation efforts, allowing Riverside Public Utilities to reduce its purchase of imported water from Western Municipal Water District, a member agency of the Metropolitan Water District, from 6% in 1991 to less than 1% in 1992. This voluntary reduction freed up Riverside's allocation of imported water from Northern California for use by other California cities harder hit by the statewide drought. During the year, Riverside Public Utilities also made arrangements to extract, if necessary, an additional 15,000 acre feet of its groundwater resources for exportation to the neighboring agencies of Western Municipal Water District, Orange County Water District and the City of Corona to provide assistance with drought-relief efforts.

Through its demand-side management and conservation programs, Riverside is doing its part to help protect the quality of our air. Instead of just supplying increasing amounts of electricity, Riverside Public Utilities serves its community by taking proactive steps to reduce demand for electricity by recommending or encouraging energy conservation and efficiency measures, such as the installation of energy efficient lighting and air conditioners. The resulting reduction in electrical consumption by businesses and households reduces the need to purchase more energy, which in turn means that power plants do not need to operate as often, resulting in less power plant emissions into the atmosphere.





ENSURING A SAFE AND HIGH QUALITY WATER SUPPLY IS A TOP PRIORITY OF RIVERSIDE PUBLIC UTILITIES. THIS YEAR, A TOTAL OF 6,450 WATER SAMPLES WERE COLLECTED AND TESTED. RIVERSIDE PUBLIC UTILITIES' WATER SUPPLY CONTINUES TO MEET OR EXCEED ALL FEDERAL AND STATE DRINKING WATER STANDARDS.

PUBLIC PERSPECTIVE

Education and community involvement were the mainstays of Riverside Public Utilities' public service effort in 1991-1992. Throughout the year, Riverside Public Utilities concentrated its efforts on involving its public, not by just educating them, but by giving citizens the opportunity to provide feedback as to how the utility conducts business. This, in the very truest sense, is the essence of a public utility.

BOARD OF PUBLIC UTILITIES MEMBERS ACCOMPANY LOCAL CITIZENS ON A FACILITIES TOUR. 1991-1992 BOARD MEMBERS ARE: MARY CURTIN, RON MCCOY, JACQUELINE MIMMS, PAUL OSBORNE, ESTEBAN SORIANO, GLEN STEPHENS AND JOHN TAVAGLIONE.

Working Together

In 1991-1992, Riversiders took a more active role in their consumer-owned utilities. Utilities customers joined their elected and appointed representatives, the City Council and Board of Public Utilities, in increasing numbers at public hearings and community workshops. As part of this public outreach effort, Riverside Public Utilities openly solicited public comment regarding the proposed Orangecrest to Springs 69KV transmission line through two informal community meetings. Nearly 100 community members took part in the review process, speaking out on environmental and routing issues. Board of Public Utilities members and utility staff listened and responded to citizen concerns. As a result, the public's understanding of the project and perception of the utility were enhanced. Final design of the Orangecrest to Springs transmission line is underway with construction scheduled for the first part of 1993.

Community interaction is also the primary focus of a new project of Riverside Public Utilities. Part of a redevelopment effort, the Riverside Substation Interpretive Center will provide community members with unique insight into the history of public power in Riverside, Riverside's power supply network, and the delivery of electricity to homes and businesses. The center will feature three interpretive or viewing windows, accented by photographs, information panels and hands-on telescopes. Grand opening of the interpretive center will be held following the completed renovation of the substation in 1993-1994.

Embracing Public and Private Audiences

Businesses and community groups embraced their role in a public-private partnership by participating in water and energy awareness events sponsored by Riverside Public Utilities during the year. To the delight of hundreds of community members and local schoolchildren, country-western music station KFRG and Cencom Cable Television participated in Riverside Public Utilities' Energy Fair in October 1991, while Ronald McDonald joined Riverside Public Utilities water detectives Joe Thirsty and Frank Gallon at a Water Conservation Kickoff in May 1992. Local businesses also set up water and energy conservation displays, while community groups, including the New Wave Dance Group and Sherman Indian High School's Apache Crown Dancers, supported the events by providing cultural entertainment.

Extending its outreach to the education community, Riverside Public Utilities hosted water stations and provided free water awareness materials at the Mt. Rubidoux 5K and 10K Run/Walk sponsored by the University of California at Riverside. Riverside Public Utilities also reached out to local private and public schools with energy and water education materials and special events. As a result, school participation rose by 105% during the year, increasing student participation in Riverside Public Utilities' Energy and Water School Education Program by 450%. Over the course of the year, teachers distributed more than 30,000 pieces of educational literature from the utility to over 8,700 kindergarten through high school students.

Helping Those in Need

In 1991-1992, senior and disabled households received free assistance in weatherizing their homes through Riverside Public Utilities' WE CARE/HHEARTS program. Part-time senior citizen employees responded to 878 requests from senior and disabled customers for the installation of free water heater blankets, low-flow showerheads, weather stripping, door sweeps and water conservation kits.

Responding to the plight of citizens less fortunate than themselves, Riverside Public Utilities customers contributed a total of $30,020, nearly $6,000 more than last year, to SHARE, Sharing Households Assist Riverside's Energy Fund. A joint program of Riverside Public Utilities and the County of Riverside Department of Community Action, customer contributions assisted more than 280 low-income families in need of temporary utility bill assistance. Program applications and fund disbursements are administered through the Department of Community Action.

(LEFT) HUNDREDS OF LOCAL SCHOOLCHILDREN AND COMMUNITY MEMBERS ENJOYED THE WATER AWARENESS FESTIVITIES OF RIVERSIDE PUBLIC UTILITIES' WATER CONSERVATION KICKOFF IN MAY OF 1992.
(BELOW) RONALD MCDONALD, MASTER OF CEREMONIES FOR THE KICKOFF, ACCEPTS A "DON'T BE A WATERHOG" T-SHIRT FROM PUBLIC UTILITIES DIRECTOR BILL CARNAHAN.

LOCAL CONTROL OF UTILITIES CREATES AN ENVIRONMENT THAT FOSTERS EXCEPTIONAL LEVELS OF SERVICE. THIS YEAR, RIVERSIDE PUBLIC UTILITIES EMPLOYEES OPERATED ELECTRIC AND WATER SYSTEMS THAT PROVIDED SERVICE AT LEAST 99% OF THE TIME.

EMPLOYEE PERSPECTIVE

In the incredibly complex and busy world we live in, it is sometimes all too easy to take for granted the skills, knowledge and accomplishments of people we rely on daily. In Riverside, customers generally don't think about turning on a light switch or watering their yard. It's just a part of their lives, unless service is interrupted. In 1991-1992, Riverside Public Utilities employees operated electric and water systems that provided service almost 99% of the time.

Serving Customers 24 Hours a Day

In 1991-1992, the force responsible for this successful operation consisted of 286 electric utility employees and 136 water utility employees. These are the people who are called upon to plan and design new facilities, to service utility lines, to answer customer calls, to supply the water and power, and to manage the day-to-day functions of the utility. Their efforts provide customers with water and electric service 24 hours a day, seven days a week.

Sharing Your Concerns and Interests

But Riverside Public Utilities employees are more than public servants of the city's consumer-owned utilities. Many of them are also friends, neighbors and relatives of our customers. Their names and faces are familiar in neighborhoods across the city because they share our customers' interests and concerns.

Giving back to their community, Riverside Public Utilities employees donated $21,047 to charitable organizations through the United Way in 1991-1992. Public Utilities employees also participated in the city's annual holiday food drive for disadvantaged families, contributing 3,213 pounds of food in December of 1991. Over the past four years, a total of 28,861 pounds of food has been donated by city employees and distributed during the holiday season by the Survive Food Bank to families in Riverside.

Deserving of Recognition

Recognition of utility projects on state and industry levels is the true mark of our employees' devotion to excellence. In 1991-1992, Riverside Public Utilities won accolades for the Gage Canal Exchange, a mutually beneficial agreement between Riverside Public Utilities and the Gage Canal Company for the exchange of non-potable agricultural water for higher valued domestic water. The Gage Canal Exchange received one of the first Resource Conservation Awards presented by the California Municipal Utilities Association and was recognized again when the Institute for Local Self Government honored the Gage Canal Exchange with a California Cities Helen Putnam Award for Excellence.

THE INSTITUTE FOR LOCAL SELF GOVERNMENT HONORED THE GAGE CANAL EXCHANGE WITH A CALIFORNIA CITIES HELEN PUTNAM AWARD FOR EXCELLENCE.

Recognizing individual employee achievement is just as important as team accomplishments. Which is why, in its annual report, Riverside Public Utilities chooses to honor those employees who have reached 35 years of service. In 1991-1992, among a workforce of 422 employees, one utility employee reached this distinguished level of service.

Wendy Adams, Customer Service Representative II

In March of 1992, Wendy Adams began her 35th year of service with the City of Riverside.

Wendy was born in El Paso, Texas. She attended San Fernando High School and Antelope Junior College in California. She was hired by the city on March 3, 1958, as a Junior Clerk and progressed to the position of Customer Service Representative II.

During her tenure with the city, Wendy has demonstrated a high level of administrative and technical competence. She consistently displays pride and dedication in performing her work assignments with efficiency and accuracy. Wendy possesses the highly desirable traits of dependability and loyalty.

In addition to her career life, Wendy is a mother and grandmother. She maintains very close family ties with her daughter, Joy, and her two grandchildren, Sky and Aubrie.

EMPLOYEE LISTING

Antoine S. Abu Shabakeh
Ernest W. Adams
Richard E. Adams
Wendy F. Adams
Raymond S. Aguilar
Donna L. Aguilera
Richard C. Aguilera
Jerry C. Alexander Jr.
David A. Alfaro
Laura D. Ammermon
Arthur V. Anaya
Kenneth A. Anderson
Sudath Arachchige
Greg T. Arias
Guillermo Armenta
Alfred Arredondo
Christopher Avila
David Avila
Robert S. Ayers Jr.
Nora L. Aylward
Helen M. Azevedo
Stephen H. Badgett
Judith L. Bailey
John J. Bailey
Charles F. Baldwin
Michael J. Baldwin
Del R. Ballard
Frederick H. Barkley
Jeanette E. Barnes
Ron W. Barry
Michael P. Barton
Vahid Bazel
Lawrence T. Beal
Ronald E. Becker
William D. Bedford Jr.
Francis L. Beliveau
Harold J. Bell
Walter N. Bell Jr.
Gary L Bender
Bruce C. Benter
Jacqueline M. Bishop
Dawn M. Black
Matthew Blais
Charles R. Bluemel
Michelle H. Borrello
Craig W. Bostrom
Fernand R. Boucher
Suzanne M. Boucher
Robert D. Bowes
Brian G. Bozarth
Thomas G. Bradshaw
David W. Bride
Christine Y. Brooks
Michael E. Brown
Patrick D. Brown
Willie L. Brown
Gerald R. Burton
David W. Butler
Loretta F. Butler
Jerry G. Byrd
Alfredo E. Cahuas
Randell S. Carder
Bill D. Carnahan
Joseph Carrasco
Carlos Castro
Mary A. Chaffee
Leon Chagolla
John N. Chapman
Ami R. Chaudhury
Joseph Chavez
Joseph S. Chavez
Thomas K. Clarke
Jeffrey D. Clausen
Cheryl E. Clelland
Danny L. Clemons
Kenneth W. Coffey
Greg H. Coffman
Donald J. Colgan
Thomas J. Collins
Linda S. Conerly
Mark S. Connor
Bobby V. Cordova
Cecil T. Cox
Glenn M. Cox
Alan D. Craig
Paul R. Crawford
Billie I. Crumley Jr.
Jackie L. Cunningham
Carl R. Danzek
Darlene S. Davis
James H. Deal
Vivian C. De Geere
Robert Delgado
John T. Denham
Gregory M. Diaz
Mercedes P. Diaz
Peter E. Diaz
Richard J. Dickinson
David F. Diecks
Kerry W. Dittler
Richard W. Dolenar
Cruz Dominguez
Patricia J. Doonan
Richard S. Drobek
Malcolm N. Duckett
Daniel P. Duron
Albert T. Dykstra
David W. Eich
John J. Enderson
Richard L. Ennis
Mark S. Ensign
William E. Fagan
Scott L. Faust
Ronald T. Fiske
Frank R. Fitzgerald
Joseph D. Francese
Rick Franke
Ronald D. Frost
Carol J. Fuhrman
Gerald A. Gandara
David V. Garcia
Yolanda C. Garcia Tully
Raul B. Garcia
Thomas D. Garcia
Joseph A. Garozzo
Richard Gastelum
Anita L. Gatter
Paul R. Gearhart
Thomas R. Gibbins
George F. Gielish
Robert B. Gill
Arthur P. Gomez
Daniel M. Gomez
Veronica Gomez
Patrick Gonzales
Ronald W. Goodermuth
James G. Grady
Manuel S. Gray
Marilyn J. Grayston
Richard J. Greenwalt
Bacilio Gutierrez Jr.
Luciano Guzman
Angela A. Haggard
John W. Hair
Ronald J. Ham
William L. Hannah
Patrick B. Hannifin
Edward P. Hansen
Robert W. Harper
Sherwin L. Harris
William W. Harris Jr.
Eyituoyo O. Harrison
Wanda F. Hedlund
Kelly L. Heil
Alfred W. Heinen
James P. Henke
Patricia J. Henwood
Juan R. Hernandez
Lorraine H. Hernandez
Victor H. Hernandez
Lyle E. Hill
Richard A. Hinojosa
Edward K. Hogerty
Arnold P. Hohl Jr.
Denise L. Holman
Richard E. Holmes
Keith A. Hoover
James T. Hornbarger
Isabella M. Horton
Woodrow Hoye
Ross Hrinko
William L. Hughes
Gloria M. Humphrey
Kenneth L. Humphrey
Roger L. Hunt
Daniel Hurtado
Tam T. Huynh
Marvin L. Infante
Bonnie M. Ivy
Roger S. Jackson
Nicolaas J. Jacobs
Lester W. Jameson Jr.
James E. Johnson
Lila M. Johnson
Sam R. Johnson
Russell D. Johnson
Steven T. Johnson
Wayne L. Johnson
Dock Jones
Steve A. Jones
Chris A. Joranco
Jeffrey S. Karalun
Aileen M. Keller
George E. Kelley
William D. Kilpatrick
James R. King
Andrew J. Kirkland Jr.
David R. Knapp
Gus W. Knie
Randal A. Koers
Edward L. Kostjal Jr.
David W. Krell
Niveditha P. Kumar
Tom G. Lacey
Stephen E. Lafond
Pamela M. Lawrence
David C. Lawson
Ruben M. Leivas
Mary A. Lemon
Jeffery J. Lewis
Paul A. Lindsay
Connie L. Lizarraga
Robert L. Lovell
Henry A. Loya
Robert L. Lucas
Michael H. Luitwieler
Arthur P. Madril
Jaime J. Magby
Michael R. Mahr
William F. Mainord
Babalola Makinde Odus
George E. Manuel
Enrique S. Marquez
Barry W. Marshall
Peggy I. Mayer
Christina M. McCaslin
Daniel L. McClenathan
Allison L. McDaniel
Margery I. McDowell
Lois G. McGinnis
Gerald L. McGrath
Kenneth B. McGregor
Jeffrey K. McKown
Martin W. McLeod
Richard K. McKinny
David M. McLellan
Sheridan A. McReynolds
Larry D. Meester
Atoya L. Mendez
Max C. Mendoza
Richard G. Mendoza
Ismael E. Mercado
Madalyn M. Mieldazis
Eddie R. Milholland
Claudie R. Miller
Donald P. Miller
Roy A. Miller
Kevin S. Milligan
William K. Modesitt
Odell Moncrief
Arthur R. Montano II
Robert A. Montano
Philip M. Montefu
Carol A. Morabito
Kevin D. Munns
Gregory L. Myers
Ray D. Neal Jr.
Peter Nesic
Richard S. Nevarez
Rita Nicks
Barry J. Niemiec
Gary L. Nolff
Anne M. Nukaya
Joni A. O'Brien
Randall W. Olgren
Atilano C. Olivas Jr.
Charles Olivier
Deborah L. Olson
Alvino P. Orozco
Darrell R. Otjen
Dwight W. Page
Zahra Panahi
Ann L. Pangborn
Cecil R. Parker Jr.
Clyde B. Parker
Frank G. Paz
Victoria M. Paz
Gilbert S. Penunuri
Charlie R. Penunuri
Rey M. Perez
Marilyn F. Pieper
Donald R. Pim
Davis N. Plourde
David J. Porchia
Gregory L. Prator
Michael R. Price
Daryl A. Proctor
Patrick L. Pruitt
Donald R. Pulsifer
Daniel W. Randall
Lena J. Raniada
Jack C. Read
David L. Redding
Stan V. Reynolds
Linda C. Rhoads
Mildred A. Ridges
Donald G. Ringgold
Harry T. Robertson
Linda L. Rocha
Michael A. Rodgers
Max A. Rodriguez
Ramona M. Rodriguez
Donald C. Rogers
John E. Rolwes
Daniel S. Romano
Karin K. Ross
William D. Ryan
Richard M. Ryno
Adrian Saint
Angel H. Sanchez
Isac J. Sanchez
Lawson R. Satterfield
Rhonda L. Satterlee
Barbara A. Savard
Samuel L. Scarcello
Delbert L. Schroeder
John B. Schwartz
Barbara L. Scott
Mark E. Scribner
John L. Sevey
Daniel D. Shackelford
Omar E. Shehab
John M. Shepherd
Candice C. Shih
Brian Simpson
Dennis G. Sims
James R. Sinner
Joseph B. Siordian
Richard H. Skelton
David A. Smart
Dale F. Smith
Jerry L. Smith
Julie A. Smith
Nancy A. Smith
Sandra L. Smith
Wendell K. Smith
Carolyn K. Snow
Marta E. Solis
Marco J. Sortillon
Edward M. Spinney
Lee H. Stallberg
Kelly C. Starkey
Lucinda Staudt
Elvira St. Louis
Donna I. Stevener
Shelly L. Stewart
Kevin P. Stinson
Troy F. Stinson
Dennis J. Stirlen
Frederick J. Stoiber
Kirk V. Stokes
Terry L. Stroud
T.D. Sweatt
Arshad J. Syed
Ticia L. Symonds
Maurice S. Taks
Alvin M. Tannenbaum
Bruce C. Taylor
Joseph M. Tenenbaum
Diane J. Tepper
Brian G. Thomas
Robert L. Thomas
Cynthia L. Thompson
Michael J. Torelli
Abraham Torres
Joey M. Toth
Tina Tran
Vincent N. Trepepi
Richard L. Trower
Dale L. Underwood
Adrian A. Valdez
Vera Valdivia
Victor G. Velasquez
Richard D. Velasco
Michael J. Vernon
Karol L. Veu Casovic
Clarence R. Voll Jr.
Roger J. Wagner
Theresa S. Waldschmitt
Robert F. Wallstead
Richard W. Wayman
Edward M. Wdowiak
Alfred H. Wells
Joe E. Westmoreland
Paul O. Westover Jr.
Mary T. Whaley
Francis J. White
Ronald J. White
Walter L. White
David J. Whiting
Casey L. Whitney
William Whitten
Mark Wholley
Ronald H. Wigg
Edward T. Wilks
Phyllis J. Williams
Brian R. Willis
David C. Wilson
Dieter P. Wirtzfeld
Alan P. Wohlfarth
Merle C. Wolff
Ralph F. Wollerton
Roberta A. Womack
Ben G. Wong
Wayne M. Woodall
Joan C. Worones
James N. Wysong
Edrie V. Yambao
Edward B. Young
Leonard W. Zabloudil

FINANCIAL PERSPECTIVE

At Riverside Public Utilities, finance is an integral part of the utility. In 1991-1992, Riverside's financial strength and strong service area remained evident as Moody's Investor Service rated both utility bonds Aa, while Standard & Poor's Corporation rated our electric bonds AA- and water bonds AA. Riverside Public Utilities is one of a small and select group of utilities to obtain and maintain the prestige of AA ratings.

Managing Power Supply for Cost Savings

Riverside Public Utilities has been extremely effective in keeping the total cost of power well below the cost of inflation. In 1991-1992, Riverside Public Utilities achieved an estimated savings of $3.8 million by purchasing economy energy through the Western Systems Power Pool. Further savings were realized by selling nearly $1.3 million of excess power from its own resources in the wholesale market arena.

The cost of purchasing Riverside's power requirements from Southern California Edison (SCE) is a principal factor in determining Riverside's economic acquisition of alternative sources of supply. Riverside currently purchases approximately 15% of peak capacity requirements, 9% of total monthly capacity requirements and less than 1% of its annual energy requirements from SCE — a dramatic shift from 1986 when Riverside purchased 91% of peak capacity, 88% of total monthly capacity, and 93% of its annual energy needs from SCE.

Maintaining Lower Electric and Water Rates

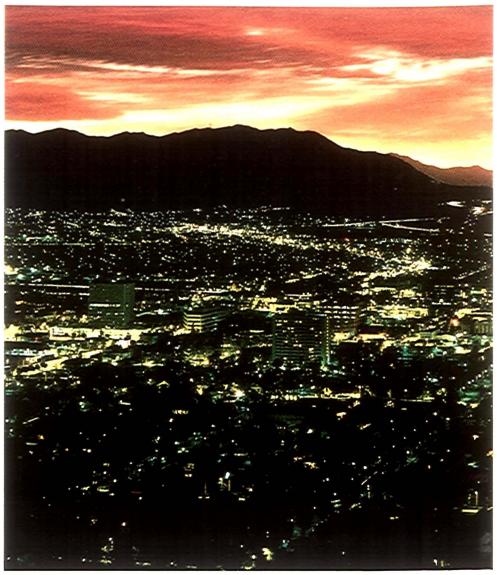
As a result of Riverside Public Utilities' diversified power resource mix, electric rates have only risen once since 1984 and remained stable through this fiscal year. In 1991-1992, the average residential customer in Riverside using 500 kilowatt-hours of electricity paid $48.84 per month. As of June 30, 1992, typical residential and small commercial customers in Riverside paid approximately 28% less for electricity than SCE customers paid for the same amount of electricity.

Safeguarding and enhancing its vast groundwater supply has enabled Riverside Public Utilities to maintain some of the lowest water rates in Southern California. Residents of many surrounding communities pay as much as eight times more for costly imported water. This year, the average residential customer in Riverside used 20,196 gallons of water a month at a cost of $17.10 during the summer and $16.26 in the winter. Riverside's rates for water service remained substantially lower than surrounding water agencies during the year, even though Riverside Public Utilities implemented a 6% water rate increase in May of 1992. In 1991-1992, Riverside Public Utilities' typical residential customer paid only 59% and 78% of bills paid for the same amount of water supplied by Eastern Municipal Water District and Western Municipal Water District, respectively.

This year, a cooler than usual summer resulted in peak days for the electric and water systems that were lower than the previous three years on the electric side and the last six years on the water side. This assisted Riverside Public Utilities in reducing its purchase of costly imported water and maintaining stable electric rates.

Supporting Our Community

As a part of city government, Riverside Public Utilities has a vested interest in its community. In 1991-1992, Riverside Public Utilities supported the local economy by returning $14.5 million in employee wages and purchasing $8.1 million in city services. Annually, as a dividend to its community, Riverside Public Utilities also transfers up to 11.5% of its prior year revenues to the city's general fund. In fiscal year 1991-1992, the Electric Utility transferred $12.3 million, while the Water Utility transferred $1.8 million. These funds help to support vital community services, such as police protection, fire services, libraries, and park and recreation facilities.



LOWER RATES ARE AMONG THE BENEFITS PUBLIC UTILITIES PROVIDE THEIR CUSTOMER-OWNERS. RIVERSIDE PUBLIC UTILITIES CONTINUES TO MAINTAIN WATER AND ELECTRIC RATES THAT ARE CONSIDERABLY LOWER THAN THE RATES OF PRIVATELY-OWNED UTILITIES SERVING SURROUNDING AREAS.

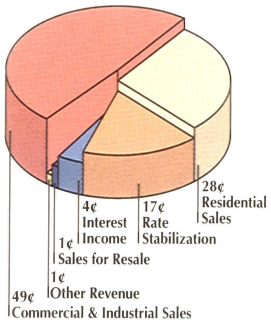
"Some people consider it unusual for a government enterprise to be concerned about its customers, to recognize that customer satisfaction is as important as simply providing the service. But we're a business too. As a business, we must listen to our customers and try to see how we can best serve them. This is especially true in times like we're facing now. With diminishing resources all around us, the same type of creativity and innovation that's necessary in the private sector is certainly necessary in our business."

Brian Thomas,

Assistant Director

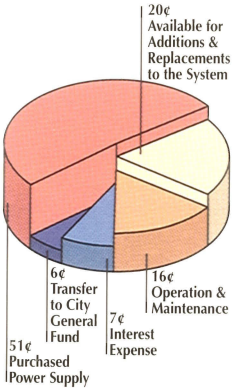
Finance and Administration

The 1991-1992 Electric Dollar

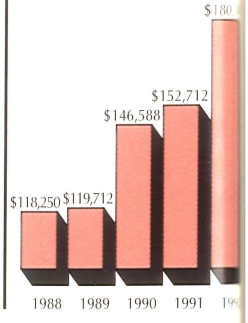


Source of Revenue

Distribution of Revenue

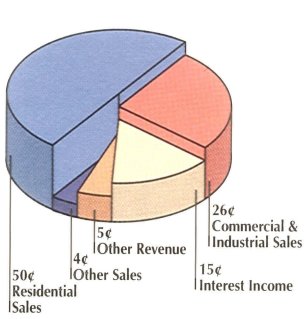


Total Operating Revenue *In Thousands*

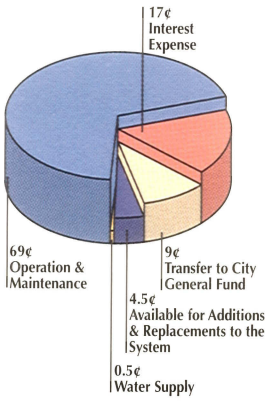


The 1991-1992 Water Dollar

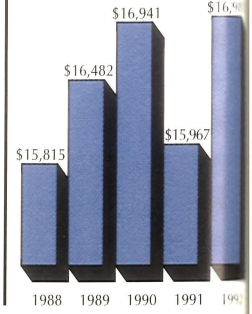
Distribution of Revenue



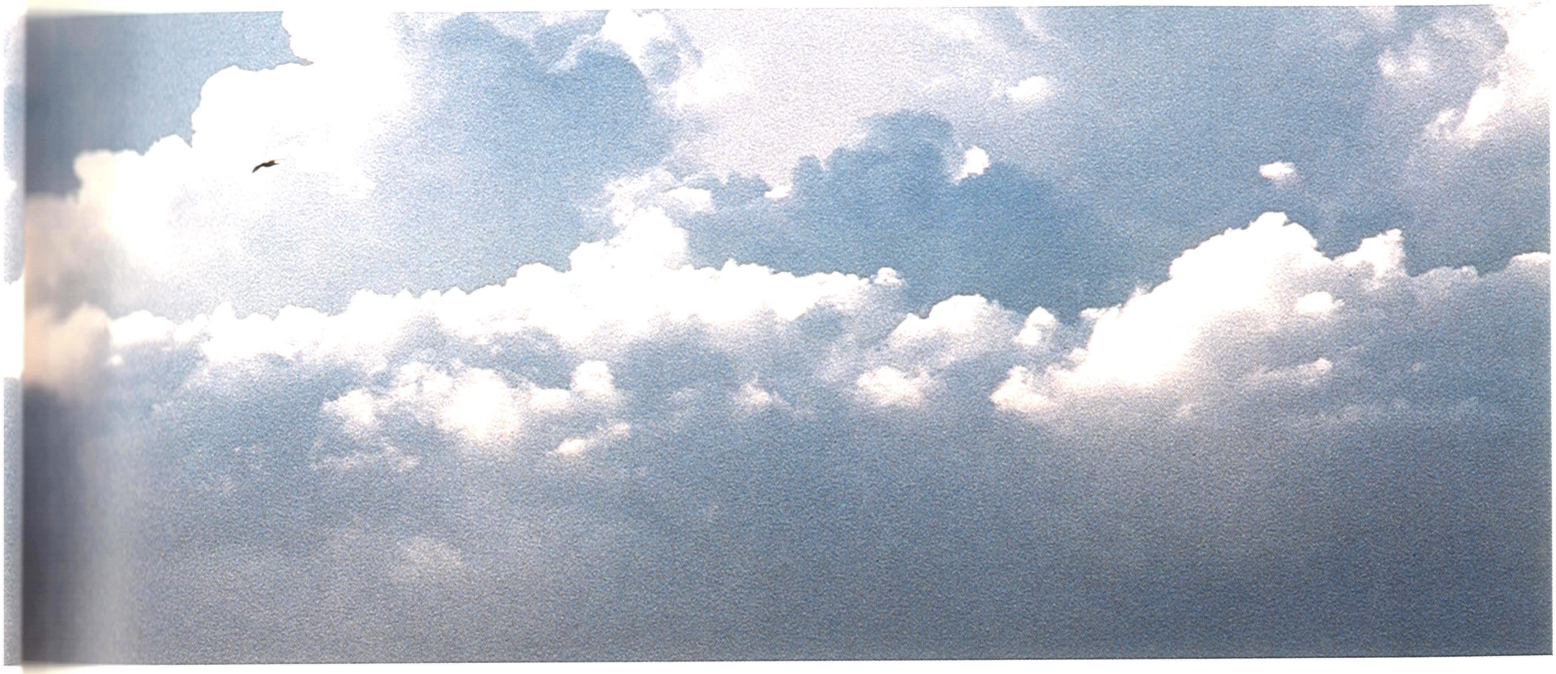
Source of Revenue



Total Operating Revenue *In Thousands*

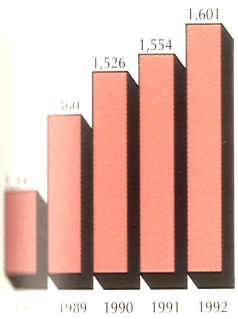


FINANCIAL

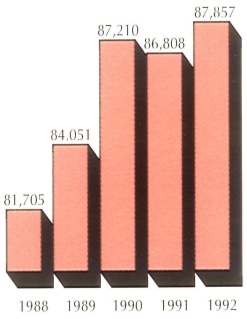


ELECTRIC UTILITY

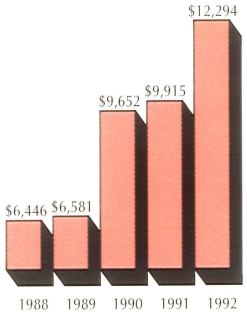
PRODUCTION
IN MILLION KILOWATT-HOURS



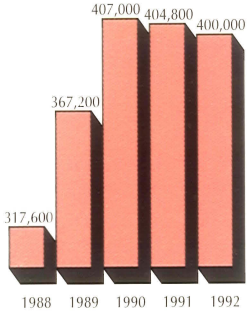
AVERAGE NUMBER OF CUSTOMERS



GENERAL FUND TRANSFER
IN THOUSANDS



SYSTEM PEAK REQUIREMENTS
IN KILOWATTS

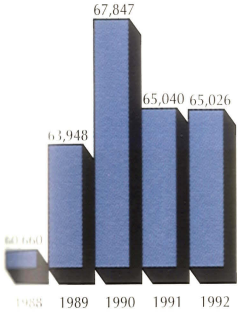


CREDIT RATING

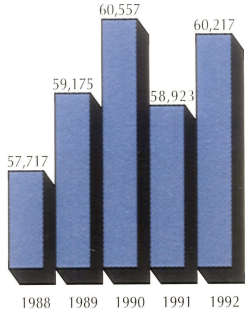
1992....AA, AA-
1991....AA, AA-
1990.....AA, A+
1989.....AA, A+
1988.....AA, A+

WATER UTILITY

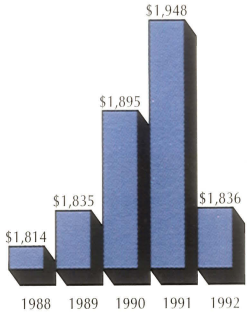
PRODUCTION
IN ACRE FEET



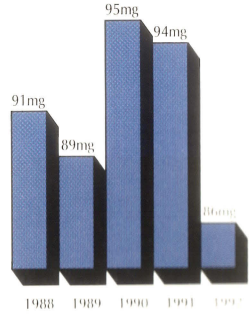
AVERAGE NUMBER OF CUSTOMERS



GENERAL FUND TRANSFER
IN THOUSANDS



SYSTEM PEAK REQUIREMENTS
IN MILLION GALLONS



CREDIT RATING

1992.....AA, AA
1991.....AA, AA
1990.....A1, A+
1989.....A1, A+
1988.....A1, A+

WATER UTILITY SELECTED STATISTICS

WATER SUPPLY (ACRE-FEET)

	1991/92	1990/91	1989/90	1988/89	1987/88	1986/87
Pumping	64,836	61,204	61,249	60,815	57,446	57,267
Purchases	190	3,836	6,598	3,133	3,214	3,417
Total	65,026	65,040	67,847	63,948	60,660	60,684
% Pumped	99.7%	94.1%	90.3%	95.2%	94.7%	94.4%
System peak day (gals)	86,075,000	94,243,000	95,400,000	89,248,000	90,858,000	86,025,000

WATER USE

Average number of customers						
Residential	55,165	53,882	52,889	52,076	51,018	50,132
Commercial/industrial	4,441	4,203	3,976	3,862	3,757	3,670
Other [1]	611	838	3,692	3,237	2,942	2,528
Total	60,217	58,923	60,557	59,175	57,717	56,330
CCF sales						
Residential	15,492,812	16,486,215	17,149,071	16,527,248	15,156,174	15,417,373
Commercial/industrial	7,998,728	8,982,227	8,573,499	8,266,856	7,805,421	7,896,845
Other	1,199,629	542,577	742,372	564,663	1,254,534	1,511,726
Total	24,691,169	26,011,019	26,464,942	25,358,767	24,216,129	24,825,944
Average annual CCF per residential customer	281	306	324	317	297	308
Average price (cents/CCF) per residential customer	68.7	62.9	62.3	61.2	63.5	62.5
Debt as a percent of net plant	41.5%	46.1%	40.0%	42.7%	47.5%	48.0%
Employees	136.5	130.5	129.5	129.5	124.5	119.5

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

Electric Utility Selected Statistics

Power Supply (MWH)

	1991/92	1990/91	1989/90	1988/89	1987/88	1986/87
San Onofre	231,600	264,500	239,500	272,500	237,100	263,700
Intermountain Power	831,700	697,800	795,400	716,100	641,300	396,800
Palo Verde	76,600	84,700	27,800	58,300	51,500	42,300
Hoover	31,400	33,700	24,100	16,800	38,400	
Firm contracts	179,900	358,300	314,000	229,700	292,300	156,100
Non-firm contracts	150,100	79,000	77,600	112,000	63,400	202,600
Southern California Edison	99,400	36,000	47,200	54,400	20,800	196,700
Total	1,600,700	1,554,000	1,525,600	1,459,800	1,344,800	1,258,200
System peak (mw)	400.0	404.8	407.0	367.2	317.6	292.2

Electric Use

Average number of customers						
Residential [1]	78,985	78,317	78,795	76,087	74,195	72,197
Commercial	8,565	8,156	8,083	7,620	7,169	6,677
Industrial	180	189	186	196	193	330
Other	127	146	146	148	148	150
Total	87,857	86,808	87,210	84,051	81,705	79,354
Millions of kilowatt-hour sales						
Residential	528	546	516	503	452	431
Commercial	394	381	356	333	298	279
Industrial	540	526	527	534	480	439
Other	42	42	41	43	41	42
Total	1,504	1,495	1,440	1,413	1,271	1,191
Average annual kwh per residential customer	6,685	6,972	6,549	6,611	6,092	5,970
Average price (cents/kwh)	9.90	9.06	9.10	9.04	9.28	9.27
Debt as a percent of net plant [2]	93.4%	96.8%	78.8%	85.4%	89.1%	93.6%
Operating income as a percent of operating revenues	25.3%	15.4%	10.4%	8.2%	13.5%	19.6%
Employees	286	284	264	259	243	225

[1] Private 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.
[2] Net plant includes nuclear fuel inventory and work in progress.

ELECTRIC UTILITY

BALANCE SHEET

	June 30	
	1992	1991
	(In Thousands)	
Assets		
Utility Plant:		
Production	$116,778	$114,811
Transmission	11,408	10,934
Distribution	125,967	115,572
General	7,655	6,931
	261,808	248,248
Less accumulated depreciation	(85,481)	(76,914)
	176,327	171,334
Construction in progress	20,542	21,029
Nuclear fuel, at amortized cost	4,998	5,350
Total utility plant	201,867	197,713
Restricted assets	55,039	59,284
Current assets:		
Cash and investments	55,452	23,382
Accounts receivable, net	21,213	23,172
Accrued interest receivable	843	1,000
Prepaid expenses	3,802	4,598
Nuclear materials inventory	437	356
Total current assets	81,747	52,508
Other assets:		
Unamortized project costs	5	43
Bond issuance cost	1,102	1,174
Total other assets	1,107	1,217
Total assets	$339,760	$310,722

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

BALANCE SHEET

	June 30	
	1992	1991
	(In Thousands)	
Capitalization and liabilities		
Customers' equity:		
Retained earnings		
Reserved	$22,834	$22,412
Unreserved	36,417	10,000
Total retained earnings	59,251	32,412
Contributed capital	32,579	30,626
Total customers' equity	91,830	63,038
Long-term obligations, less current portion	184,789	188,670
Total capitalization	276,619	251,708
Other non-current liabilities:		
Decommissioning liability	8,371	6,439
Rate stabilization account, less current portion	12,870	10,520
Total non-current liabilities	21,241	16,959
Current liabilities payable from restricted assets:		
Accrued interest payable	3,199	3,437
Current portion of long-term obligations	3,990	3,110
Total current liabilities payable from restricted assets	7,189	6,547
Current liabilities:		
Accounts payable	6,091	5,637
Accrued liabilities	4,472	4,321
Rate stabilization account	21,325	23,000
Current portion of long-term obligations	171	192
Customer deposits	2,652	2,358
Total current liabilities	34,711	35,508
Commitments and contingencies		
Total capitalization and liabilities	$339,760	$310,722

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

ELECTRIC UTILITY

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

	For the Fiscal Years Ended June 30	
	1992	1991
	(In Thousands)	
Operating revenues:		
Residential	$52,288	$47,858
Commercial and industrial	92,240	83,505
Sales to other utilities	1,532	2,485
Provision for rate stabilization	33,151	17,815
Other	1,177	1,049
Total operating revenues	180,388	152,712
Operating expenses:		
Purchased power	94,967	93,585
Operations	23,969	21,734
Maintenance	5,712	5,044
Depreciation and amortization	10,118	8,884
Total operating expenses	134,766	129,247
Operating income	45,622	23,465
Non-operating revenues (expenses):		
Interest income	7,115	3,254
Interest expense	(13,680)	(10,610)
Loss on retirement of utility plant	(123)	(73)
Other	199	103
Total non-operating revenues (expenses)	(6,489)	(7,326)
Income before operating transfer	39,133	16,139
Operating transfer out:		
General fund contribution	(12,294)	(9,915)
Net income before extraordinary loss	26,839	6,224
Extraordinary loss on advance refunding	0	(1,625)
Net income	26,839	4,599
Retained earnings, July 1	32,412	27,813
Retained earnings, June 30	$59,251	$32,412

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

STATEMENT OF CASH FLOWS

	For the Fiscal Years Ended June 30	
	1992	1991
	(In Thousands)	
Cash flows from operating activities:		
Cash received from customers and users	$183,315	$147,671
Cash paid to suppliers and employees	(120,260)	(130,120)
Net cash provided by operating activities	63,055	17,551
Cash flows from non-capital financing activities:		
Operating transfers out	(12,294)	(9,915)
Non-operating revenue	199	10
Net cash used by non-capital financing activities	(12,095)	(9,812)
Cash flows from capital and related financing activities:		
Proceeds from the sale of revenue bonds	0	63,045
Purchase of utility plant	(14,030)	(20,302)
Purchase of nuclear fuel	(783)	(719)
Proceeds from the sale of utility plant	113	(74)
Principal paid on long-term obligations	(3,302)	(17,715)
Interest paid on long-term obligations	(13,566)	(10,444)
Contributed capital	1,161	2,363
Net cash provided (used) by capital and related financing activities	(30,407)	16,154
Cash flows from investing activities:		
Income from investments	7,272	3,666
Net increase in cash and cash equivalents	27,825	27,559
Cash and cash equivalents, July 1	82,666	55,107
Cash and cash equivalents, June 30	$110,491	$82,666
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$45,622	$23,465
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	10,118	8,884
Amortization (burn) of nuclear fuel	1,135	1,466
Provision (recovery) for uncollectible accounts receivable	(384)	776
(Increase) decrease in accounts receivable	2,343	(8,176)
(Increase) decrease in prepaid expenses	796	(577)
(Increase) decrease in nuclear materials inventory	(81)	0
Increase (decrease) in accounts payable	454	(3,244)
Increase (decrease) in accrued liabilities	151	(894)
Increase in customer deposits	294	2,359
Increase in decommissioning liability	1,932	1,743
Increase (decrease) in rate stabilization account	675	(8,251)
Net cash provided by operating activities	$63,055	$17,551
Schedule of non-cash investing, capital and financing activities:		
Contributions in aid of construction	$792	$3,803

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

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, 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, which approximates market value. 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.

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. These reserve funds are included in restricted assets on the balance sheet. 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 $8,371,000 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 Southern California Edison (SCE) and approved by the California Public Utilities Commission, the Utility plans to set aside approximately $1,460,000 per year to fund this obligation. Decommissioning should commence around the year 2015.

NOTES TO THE FINANCIAL STATEMENTS

Rate Stabilization Account

The Electric Utility's rules and regulations provide for a rate stabilization account (RSA), which is used to offset changes in the cost of 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. In 1991, the RSA was determined in accordance with a formula based on retained earnings not exceeding the required reserve for debt service plus a $10,000,000 reserve for working capital. Effective for the fiscal year 1991-92, the Board of Public Utilities (Board) and City Council adopted a rate policy whereby the amount of the RSA is no longer based on a formula, but determined by specific approval of the Board and City Council. In conjunction with this change in policy, the Utility recorded a provision for rate stabilization in the amount of $33,151,000 for the fiscal year ended June 30, 1992. In addition, cash equal to the rate stabilization liability was internally restricted. The effect of this change on the net income of the Electric Utility for the fiscal year 1991-92 was an increase of $23,513,000. The Electric Utility's fiscal year 1992-93 budget includes the recognition of revenues in the amount of $21,325,000 from the RSA to be used to offset fiscal year 1992-93 rate increases.

The following is a summary of changes in the rate stabilization account for fiscal years 1992 and 1991.

	1992	1991
Balance, July 1	$33,520,000	$41,771,000
Increases:		
Refunds from SCE	33,826,000	9,564,000
Decreases:		
Current year provision	(33,151,000)	(17,815,000)
Balance, June 30	$34,195,000	$33,520,000

During fiscal years 1992 and 1991, the Electric Utility received $33,826,000 and $9,564,000, 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, 1992 and 1991 was $2,652,000 and $2,358,000, 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 $9,156,000 at June 30, 1991, and $10,319,000 at June 30, 1992. 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 $1,096,000 at June 30, 1992, and $1,499,000 at June 30, 1991. During the fiscal year, accounts determined to be uncollectible are recorded as bad debt expense.

Compensated Absences

The accompanying financial statements include accruals for salaries, fringe benefits, and compensated absences due employees at June 30, 1992. The Electric Utility treats compensated absences due employees as a current liability. The amount accrued for compensated absences was $3,993,000 at June 30, 1992, and $3,969,000 at June 30, 1991.

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.

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 unreported claims based upon past experience, modified for current trends and information.

While the ultimate losses incurred through June 30, 1992, 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 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

NOTES TO THE FINANCIAL STATEMENTS

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 Utility is required to contribute the remaining amounts necessary to fund the benefits for its members using the actuarial basis recommended by the PERS actuaries and consultants and adopted by the PERS Board of Administration. These benefit provisions and all other requirements are established by state statute and City ordinance. The Utility pays both the employee and employer contributions. Citywide information concerning elements of unfunded pension benefit obligations, contributions to PERS for the year ended June 30, 1992, 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, 1992.

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 years 1990-91 and 1991-92, the Electric Utility transferred 7.5 percent and 9.1 percent, respectively, of the prior year's gross operating revenues to the general fund. This amounted to $9,915,000 in 1990-91 and $12,294,000 in 1991-92.

Budgets and Budgetary Accounting

The Electric Utility presents, and the City Council adopts, an annual budget. The proposed budget includes estimated expenditures and forecasted revenues. The City Council adopts the Electric Utility's budget at its last meeting in June via an adopting resolution. The Electric Utility's budgeted expenditures for fiscal year 1991-92 amounted to $168,412,000, while the adopted 1992-93 budget totals $168,541,000.

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 Electric Utility for the year ended June 30, 1992 (in thousands):

	Balance July 1, 1991	Increase	Decrease	Balance June 30, 1992
Certificates of participation	$ 571	–	$ 192	$ 379
Revenue bonds payable	191,401	–	2,829	188,572
Total	$ 191,972	–	$ 3,021	$ 188,951

Annual debt service requirements to maturity as of June 30, 1992, are as follows (in thousands):

	1993	1994	1995	1996	1997	Thereafter	Total
Certificates of participation	$ 171	$ 97	$ 66	$ 22	$ 22	$ –	$ 378
Bond interest payable	12,650	12,347	12,035	11,722	11,400	114,826	174,980
Bond principal payable	3,990	4,290	4,605	4,920	5,275	165,492	188,572
Total	$16,811	$16,734	$16,706	$16,664	$16,697	$280,318	$363,930

NOTES TO THE FINANCIAL STATEMENTS

Certificates of Participation

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

Revenue Bonds Payable at June 30, 1992

$80,000,000 1980 electric revenue serial bonds due in annual installments from $1,125,000 to $1,250,000 through October 1, 1993; interest from 8.1 percent to 8.25 percent.....$2,375,000

$9,070,000 1980 electric revenue refunding serial bonds due in annual installments of $470,000 through October 1, 1993; interest from 8.1 percent to 8.25 percent..... $940,000

$35,000,000 1983 electric revenue serial bonds due in annual installments from $530,000 to $680,000 through October 1, 1995; interest from 8.5 percent to 10.5 percent.....$2,415,000

$16,500,000 1985 electric revenue bonds; $6,110,000 serial bonds due in annual installments from $355,000 to $440,000 through October 1, 1995; interest from 7.2 percent to 7.7 percent.....$1,590,000

$121,025,000 1986 electric revenue refunding serial A bonds; $36,410,000 serial bonds due in annual installments from $840,000 to $4,740,000 through October 1, 2001; interest from 5.6 percent to 6.8 percent; $15,705,000 term bonds due October 1, 2004, at 7.0 percent; and $68,910,000 term bonds due October 1, 2013, at 7.0 percent.....$117,390,000

$68,175,000 1991 electric revenue bonds; $27,395,000 serial bonds due in annual installments from $670,000 to $3,590,000 through October 1, 2005; interest from 4.5 percent to 6.6 percent; $40,780,000 term bonds due October 1, 2015, at 6.0 percent..... $68,175,000

Less: Unamortized bond discount..... $(4,313,000)

Total electric revenue bonds payable.....$188,572,000

Advance Refunding

On March 15, 1991, electric revenue bonds were sold to advance refund a portion of one issue of electric revenue bonds and to provide funds for capital improvements. The advance refunding resulted in less restrictive covenants to allow for more effective issuance of new debt.

The advance refunding resulted in the recognition of an accounting loss of $1,625,000, reduced aggregate debt service payments by $1,749,000, and created an economic gain (difference between the present value of the old and new debt service payments) of $597,000.

Debt Service Coverage Ratio

The Electric Utility's bond indentures require the Utility to maintain a debt service coverage ratio, as defined by the bond covenants, of 1.25. The Electric Utility's debt service coverage ratio was 3.90 at June 30, 1992.

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, 1992, 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.

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

NOTE 5. COMMITMENTS

Take-or-Pay Contracts

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

The contract constitutes an obligation of the Electric Utility to make payments solely from 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. 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:

Project	Percent Share
Palo Verde Nuclear Generating Station	5.4 percent
Southern Transmission System	10.2 percent
Hoover Dam Uprating	31.9 percent

As part of the take-or-pay commitments with IPA and SCPPA, the Electric Utility has agreed to pay its share of current and long-term obligations. Payment for these obligations will be made from operating revenues received during the year that payment is due.

Interest rates on the outstanding debt associated with the take-or-pay obligations range from 5.49 percent to 9.1 percent. The following schedule details the amount of principal that is due and payable by the Electric Utility for each project in the fiscal year indicated.

NOTES TO THE FINANCIAL STATEMENTS

PRINCIPAL PAYMENTS
(In Thousands)

Year Ending June 30	IPA	SCPPA			
	Intermountain Power Project	Palo Verde Nuclear Generating Station	Southern Transmission System	Hoover Uprating	Total
1993	$ 5,458	$ 958	$ 1,203	$ 99	$ 7,718
1994	5,954	1,071	1,285	289	8,599
1995	6,486	1,143	1,387	308	9,324
1996	7,225	1,219	1,489	327	10,260
1997	7,875	1,316	1,609	346	11,146
Thereafter	365,494	49,923	100,883	10,326	526,626
Total	$ 398,492	$ 55,630	$ 107,856	$ 11,695	$ 573,673

Power Sales Agreements

The Electric Utility has executed four firm power sales agreements. The agreements are with the Deseret Generation and Transmission Cooperative (Deseret) of Sandy, Utah; 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 agreement with Deseret is a fixed price purchase of 46.7 megawatts of firm capacity and associated energy for a period of eight years, ending December 31, 1994. The agreement with 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 1992-93
(In Thousands)

Supplier	Capacity	Energy	Total
Deseret	$ 6,445	$ 0	$ 6,445
SCE	4,942	2,393	7,335
CDWR	814	144	958
BPA	479	0	479
Total	$ 12,680	$ 2,537	$ 15,217

Joint Ventures

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. Pursuant to the settlement agreement, SCE agreed to provide the necessary transmission service to deliver the output of SONGS to Riverside. SCE and the City entered into the SONGS Participation Agreement that sets forth the terms and conditions under which the City, through the Electric Utility, participates in the ownership and output of SONGS. Maintenance and operation of SONGS remains the responsibility of SCE, 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, 1992, Riverside's 1.79 percent share of the capitalized construction costs for SONGS totaled $116,778,000 with accumulated depreciation of $33,949,000. The Electric Utility's portion of current and long-term debt associated with SONGS is included in the accompanying financial statements.

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying balance sheet and the related statements of operations and retained earnings and of cash flows present fairly, in all material respects, the financial position of the City of Riverside Electric Utility at June 30, 1992 and 1991, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the management of the City of Riverside; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 1 to the financial statements, the Electric Utility changed its method of computing the rate stabilization account in 1992.

Price Waterhouse

Riverside, California
November 20, 1992

WATER UTILITY

BALANCE SHEET

	June 30	
	1992	1991
	(In Thousands)	
Assets		
Utility plant:		
Source of supply	$15,092	$14,082
Pumping	6,660	5,126
Treatment	326	326
Transmission and distribution	129,931	115,739
General	4,342	3,909
Intangible	5,543	5,540
	161,894	144,722
Less accumulated depreciation and amortization	(42,745)	(39,523)
	119,149	105,199
Construction in progress	7,076	8,563
Total utility plant	126,225	113,762
Restricted assets	27,027	28,232
Current assets:		
Cash and investments	19,934	22,883
Accounts receivable, net	2,748	2,838
Accrued interest receivable	375	660
Total current assets	23,057	26,381
Other assets	895	958
Total assets	$177,204	$169,333

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

WATER UTILITY

BALANCE SHEET

	June 30	
	1992	1991
	(In Thousands)	
Capitalization and liabilities		
Customers' equity:		
Retained earnings		
Reserved	$6,294	$5,698
Unreserved	21,882	25,034
Total retained earnings	28,176	30,732
Contributed capital	91,494	80,895
Total customers' equity	119,670	111,627
Long-term obligations, less current portion	52,001	53,033
Total capitalization	171,671	164,660
Current liabilities payable from restricted assets:		
Accrued interest payable	694	818
Current portion of long-term obligations	1,635	675
Total current liabilities payable from restricted assets	2,329	1,493
Current liabilities:		
Accounts payable	617	791
Accrued liabilities	2,023	1,793
Current portion of long-term obligations	202	274
Customer deposits	362	322
Total current liabilities	3,204	3,180
Commitments and contingencies		
Total capitalization and liabilities	$177,204	$169,333

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

WATER UTILITY

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

	For the Fiscal Years Ended June 30	
	1992	1991
	(In Thousands)	
Operating revenues:		
Water sales	$10,638	$10,371
Residential	5,486	4,916
Commercial/industrial	861	680
Other		
Total operating revenues	16,985	15,967
Operating expenses:		
Operations	9,691	8,735
Maintenance	2,163	2,117
Purchased energy	2,815	2,212
Purchased water	103	1,178
Depreciation and amortization	3,539	3,217
Total operating expenses	18,311	17,459
Operating loss	(1,326)	(1,492)
Non-operating revenues (expenses):		
Interest income	3,150	2,776
Interest expense	(3,713)	(1,518)
Gain (loss) on retirement of utility plant	(48)	2
Other	1,217	1,043
Total non-operating revenues (expenses)	606	2,303
Income (loss) before operating transfer	(720)	811
Operating transfer out:		
General fund contribution	(1,836)	(1,948)
Net loss before extraordinary loss	(2,556)	(1,137)
Extraordinary loss on advance refunding	0	(172)
Net loss	(2,556)	(1,309)
Retained earnings, July 1	30,732	32,041
Retained earnings, June 30	$28,176	$30,732

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

STATEMENT OF CASH FLOWS

	For the Fiscal Years Ended June 30	
	1992	1991
	(In Thousands)	
Cash flows from operating activities:		
Cash received from customers and users	$17,115	$15,821
Cash paid to suppliers and employees	(14,716)	(13,923)
Net cash provided by operating activities	2,399	1,898
Cash flows from non-capital financing activities:		
Operating transfers out	(1,836)	(1,948)
Non-operating revenue	1,217	1,043
Net cash used by non-capital financing activities	(619)	(905)
Cash flows from capital and related financing activities:		
Proceeds from the sale of revenue bonds	0	52,058
Purchase of utility plant	(7,338)	(7,904)
Proceeds from the sale of utility plant	57	2
Principal paid on long-term obligations	(796)	(36,325)
Interest paid on long-term obligations	(3,122)	(2,146)
Contributed capital	1,830	2,718
Net cash provided (used) by capital and related financing activities	(9,369)	8,403
Cash flows from investing activities:		
Income from investments	3,435	2,864
Net increase (decrease) in cash and cash equivalents	(4,154)	12,260
Cash and cash equivalents, July 1	51,115	38,855
Cash and cash equivalents, June 30	$46,961	$51,115
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	($1,326)	($1,492)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	3,539	3,217
Provision (recovery) for uncollectible accounts receivable	(71)	99
(Increase) decrease in accounts receivable	161	(568)
Increase (decrease) in accounts payable	(174)	112
Increase in accrued liabilities	230	208
Increase in customer deposits	40	322
Net cash provided by operating activities	$2,399	$1,898
Schedule of non-cash investing, capital and financing activities:		
Contributions in aid of construction	$8,769	$13,122

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 1992

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, which approximates market value. 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 predetermined 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, 1992 and 1991 was $362,000 and $322,000, 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 $1,146,000 at June 30, 1992, and $1,101,000 at June 30, 1991. 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 $343,000 at June 30, 1992, and $272,000 at June 30, 1991. During the fiscal year, accounts determined to be uncollectible are recorded as bad debt expense.

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 $1,670,000 at June 30, 1992, and $1,507,000 at June 30, 1991.

NOTES TO THE FINANCIAL STATEMENTS

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 unreported claims based upon past experience, modified for current trends and information.

While the ultimate amount of losses incurred through June 30, 1992, 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 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 Utility pays both the employee and employer contributions. City-wide information concerning elements of unfunded pension benefit obligations, contributions to PERS for the year ended June 30, 1992, 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, 1992.

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 1992 and 1991, the Water Utility transferred 11.5 percent of gross operating revenues or $1,836,000 and $1,948,000, respectively.

Budgets and Budgetary Accounting

The Water Utility presents, and the City Council adopts, an annual budget. The proposed budget includes estimated expenditures and forecasted revenues. The City Council adopts the Water Utility's budget at its last meeting in June via an adopting resolution. The Water Utility's budgeted expenditures for fiscal year 1992 amounted to $34,984,000, while the adopted fiscal year 1993 budget totals $37,724,000.

NOTES TO THE FINANCIAL STATEMENTS

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, 1992 (in thousands):

	Balance July 1, 1991	Increase	Decrease	Balance June 30, 1992
Certificates of participation	$ 237	–	$ 123	$ 114
Contracts payable	1,320	–	–	1,320
Revenue bonds payable	52,425	–	21	52,404
Total	$ 53,982	–	$ 144	$ 53,838

The annual requirements to amortize all debt outstanding (including interest) as of June 30, 1992, are as follows (in thousands):

	1993	1994	1995	1996	1997	Thereafter	Total
Certificates of participation and contracts payable	$ 202	$ 181	$ 181	$ 150	$ 150	$ 570	$ 1,434
Bond interest payable	2,738	2,659	2,568	2,468	2,359	22,955	35,747
Bond principal payable	1,635	1,710	1,805	1,900	2,015	43,339	52,404
Total	$ 4,575	$ 4,550	$ 4,554	$ 4,518	$ 4,524	$ 66,864	$ 89,585

Certificates of Participation

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

Contracts Payable

Contracts payable at June 30, 1992, consist of water stock acquisition rights payable on demand to various water companies.

Revenue Bonds Payable at June 30, 1992

$69,840,000 1991 water revenue bonds; $25,050,000 serial bonds due in annual installments from $1,635,000 to $3,100,000 through October 1, 2002; interest from 4.5 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.....$69,165,000

Less: Unamortized capital appreciation	(16,398,000)
Unamortized bond discount	(363,000)
Total water revenue bonds payable	$52,404,000

Advance Refunding

On January 11, 1991, eight water revenue bond issues were defeased by cash deposits to irrevocable trust accounts. On March 15, 1991, water revenue bonds were sold to advance refund two water revenue bond issues and to provide funds for capital improvements. The combination of the two transactions defeased all of the previously outstanding water revenue bonds. This refunding and cash defeasance removed outstanding bonds with certain restrictive covenants to allow for more effective issuance of new debt and achieved a present value savings over the life of the new issue.

The cash defeasance resulted in the recognition of an accounting gain of $1,933,000, the cash deposit resulted in a cash flow savings of $10,178,000 and resulted in an economic gain (difference between the present value of the old and new debt service payments) of $1,020,000. The refunding resulted in the recognition of an accounting loss of $2,105,000, reduced aggregate debt service payments by $3,948,000, and created an economic gain of $988,000.

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 1.97 at June 30, 1992.

NOTE 3. RESERVES OF RETAINED EARNINGS

A reserve for debt service has been established pursuant to applicable bond indentures. The reserve for debt service at June 30, 1992, 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.

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying balance sheet and the related statements of operations and retained earnings and of cash flows present fairly, in all material respects, the financial position of the City of Riverside Water Utility at June 30, 1992 and 1991, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the management of the City of Riverside; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

Riverside, California
November 20, 1992

MAYOR AND CITY COUNCIL

Mayor
Terry Frizzel

City Manager
John Holmes

City Council

Ronald Loveridge
Ward 1

Jack Clarke
Ward 2

Joy Defenbaugh
Ward 3

Robert Buster
Ward 4

Alex Clifford
Ward 5

Terri Thompson
Ward 6

Laura Pearson
Ward 7

BOARD OF PUBLIC UTILITIES

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Mary Curtin

Ron McCoy

Jacqueline Mimms

Paul Osborne

Esteban Soriano

John Tavaglione

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Bill Carnahan
Director

Michael Baldwin
Assistant Director, Operations

Brian Thomas
Assistant Director, Finance and Administration

Dieter Wirtzfeld
Assistant Director, Engineering and Resources