CITY OF RIVERSIDE

Arts & Innovation

Riverside Public Utilities Finance 101

City Council Workshop

September 1, 2015

Agenda

1. Overview of City Finance
2. Overview of Propositions 218, 26 and Other
3. RPU Budget and Budget Trends
4. Rates, Revenues and Trends
5. Reliability Charge
6. Debt
7. Reserves
8. Financial Planning and Reporting
9. Financial Metrics Benchmarking
10. Feedback and Comments

Overview of City Finance

Charter Requirements

- The City Charter includes several sections relevant to today's discussion:
  - Section 704 establishes the office of Chief Financial Officer/Treasurer and outlines the related duties
  - Article 11 outlines various requirements for administration of the City's funds, including the adoption of a budget by certain dates and through a specific process, as well as the process for amending the budget
  - Section 1202 delegates the power to the Board of Public Utilities to consider the annual budget for RPU and make recommendations to the City Council and the City Manager

Charter Requirements: Chief Financial Officer

- The City Charter provides for the position of Chief Financial Officer, who has responsibility for the accounting and treasury operations of the City
- Previous to the most recent City Charter review process, the separate charter offices of Controller and Treasurer had existed since the 1950s, when these previously elected positions were converted to appointed positions
- The functions of controller and treasurer have been vested in the Finance Director since the 1950s, though one of the Finance Department Division Managers holds the title of Controller
- The Finance Director / Treasurer serves as the Charter-defined Chief Financial Officer (for a time an Assistant City Manager served in this capacity through 2011, during which time there was no Finance Director)

Charter Requirements: Chief Financial Officer

- The Charter defines the duties of the Chief Financial Officer to include:
  - Maintain a general accounting system
  - Have custody of all public funds
  - Receive all revenue
  - Review and verify all purchase orders and bills
  - Disburse all funds and control expenditures
  - Maintain an inventory of all City property
  - Submit monthly financial and investment reports to the City Council

Charter Requirements: Budget

- The Charter includes the following specific framework for budget approval for RPU:
  - RPU staff submit a recommended budget to the Board of Public Utilities for consideration
  - The Board makes recommendations to the City Manager and City Council regarding the RPU budget
  - Approval of the budget by the Board is only advisory in nature
  - The City's Finance Department includes the RPU budget in the City budget to be presented to the City Council along with all other City departments
  - The City Council approves the RPU budget

Primary Obligations of City Finance Department

- Safeguard City Resources
- Control Spending and Contracts
- Maintain Accurate Accounting Records
- Adopt and Monitor a Balanced Budget
- Maintain City Credit Ratings
- Invest City Funds Effectively
- Collect Funds Due to City

City Finance Department Structure

- The City's Finance Department includes a number of critical functions related to the fiscal administration of the City carried out by a staff of 54:
  - Administration Division – Administration, investment management, and financial systems
  - Accounting Division – Accounting, treasury, payroll, accounts payable, accounts receivable, collections
  - Financial Resources Division – Budget, debt administration, business tax, fiscal analysis
  - Purchasing & Risk Management Division

City Finance Department Leadership

- Brent Mason, Finance Director / Treasurer
  - 21 years with the City
  - 28 years in government finance
  - BS Accounting, Certified Public Accountant (Inactive)
- Scott Catlett, Assistant Finance Director
  - 9 years with the City
  - 15 years in government finance
  - BS Finance, Master of Public Administration
- Senior Management Team
  - Yenise Peoples, Financial Systems Manager
  - Edward Enriquez, Controller
  - Mike Gomez, MPA, Financial Resources Manager
  - Art Torres, CPM, Purchasing & Risk Manager

Department Fiscal Staffing

- All City Departments have fiscal staff
  - The number of staff is dependent on the size of the department and the complexity of the department finances
  - Smaller departments may only have a single analyst
  - Larger departments such as RPU have an entire Finance Division
- As the City's largest department, RPU has the largest fiscal staff, including those with unique utility expertise
  - Setting and monitoring of utility rates
  - Complex issues relative to industry regulation
  - Unique accounting aspects of power portfolio management
  - More frequent and thorough department-specific financial reporting

RPU Finance Division Structure

- RPU's Finance Division includes a number of critical functions related to the fiscal administration of RPU carried out by a staff of 40:
  - Finance Section – Budgeting, financial reporting, debt management, accounting operations
  - Rates Section – Rate administration, rate and revenue forecasting and reporting, rebate processing
  - Billing Section – customer utility billing (supporting trash and sewer City services), billing research and analysis
  - Business Systems Support Section – supports RPU business systems: CIS, SPL, MV90, MVRS, CRM

RPU Finance Division Leadership

- Laura Nomura, AGM for Finance and Administration
  - 9 years with the City
  - 25 years in government finance and audit
  - BS Accounting, Certified Public Accountant
- Senior Management Team
  - Aileen Ma, CPA, Utilities Fiscal Manager
  - Brian Seinturier, CPA, Utilities Fiscal Manager
  - William Obeid, Business Systems Manager
  - Jennifer Tavaglione, CIS Project Manager

Accounting Functions

- Accounting – primary responsibility for all accounting activity is assigned to the City Controller in the City Finance Department
  - RPU prepares its own financial statements, analysis, and reports
  - RPU prepares certain specialized accounting entries unique to their financial activities, which are routed through the Finance Department for approval
  - RPU prepares various utility-specific analyses and reports
- Treasury – entirely a City Finance Department Function
- Payroll – entirely a City Finance Department Function

Accounting Functions (Cont.)

- Accounts payable – Entirely a City Finance Department Function
- Accounts receivable – Entirely a City Finance Department
- Collections – The City Finance Department handles all Citywide collections except for several exceptions, including delinquent utility payments that are handled by RPU staff

Budget and Debt Functions

- Budget – RPU staff prepare the Department budget, as is the case in every City department, for routing to the City Finance Department for inclusion in the City budget
- Debt Issuance and Administration – RPU staff participate in the financing team and decision making process relative to the issuance of new or refunding RPU debt, while City Finance Department staff handle all post-issuance debt administration tasks
- Fiscal Analysis – Both departments undertake specialized fiscal analyses based on their unique needs
- Rates – Utility rates for the electric and water utilities are managed entirely by RPU staff

Additional Information Regarding Debt Issuance and Administration

- The City has a complex debt portfolio spread across a number of funds
- The City Finance Department is charged with administering this portfolio to minimize the cost to taxpayers while diversifying the risk associated with different types of debt
- The City engages professional financial advisors to assist in decision making relative to debt issuances and refundings
- Dedicated staff in the City Finance Department monitor the City's debt portfolio relative to compliance and disclosure

Purchasing and Risk Functions

- Purchasing – This is entirely a City Finance Department function
- Risk Management – This is entirely a City Finance Department function
  - RPU has its own Safety Officer, who is charged with mitigating risk relative to the Department's operations
  - RPU has its own Power Resources Risk Management Policies to manage risk relative to the Department's power supply operations

Other Functions

- Investment Management – All investment decisions and investment management are the responsibility of the City Finance Department, including relative to RPU trust funds and RPU reserves
- Financial Systems – Both the City Finance Department and the RPU Finance Division have staff assigned to handle financial systems issues
  - City staff concentrate on the accounting and procurement systems while RPU staff concentrate on the RPU-specific systems such as customer utility billing
  - The two groups work as a team on many projects

City Cost Allocation Plan

- Large government agencies centralize certain functions to reduce costs
  - Finance
  - Human Resources
  - Information Technology
  - Other Central Services
- These costs are typically recovered through a cost allocation plan

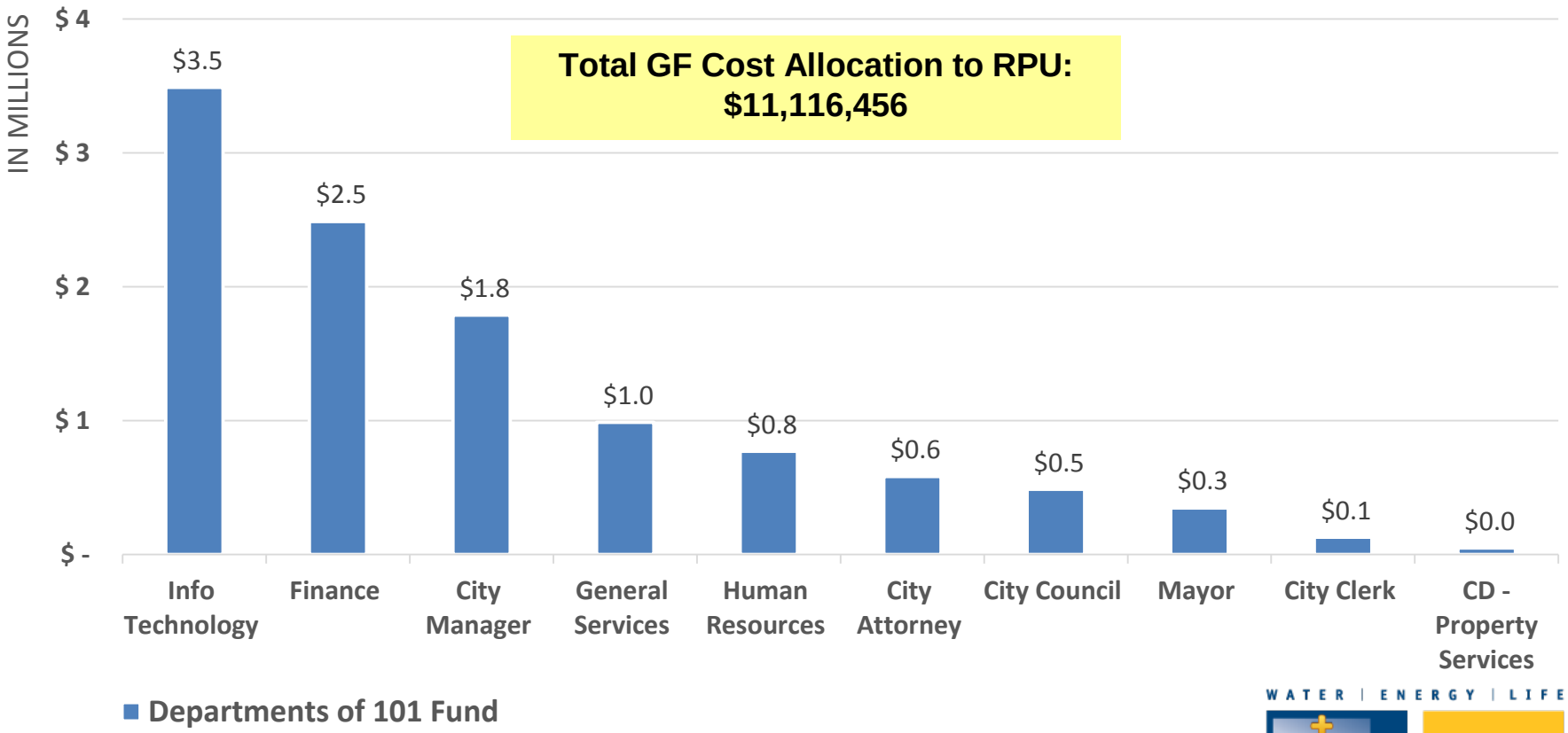
City Cost Allocation Plan (Cont.)

- Cost allocation plans distribute costs from "cost pools" using "cost bases"
- A cost pool is a set of costs, such as payroll operations or building maintenance, that need to be allocated
- A cost basis is a method for allocating a specific cost pool, such as number of employees or building square footage

City Cost Allocation Plan (Cont.)

- Historically the City has prepared an in-house cost allocation plan for approximately 20 years
- In 2013, the City outsourced the cost allocation plan to an expert consulting firm – NBS – due to a desire to:
  - Address the pending retirement of the in-house expert
  - Address inefficient utilization of staff time due to the cyclical nature of the plan
  - Incorporate industry best practices

Cost Allocation FY 2014/15



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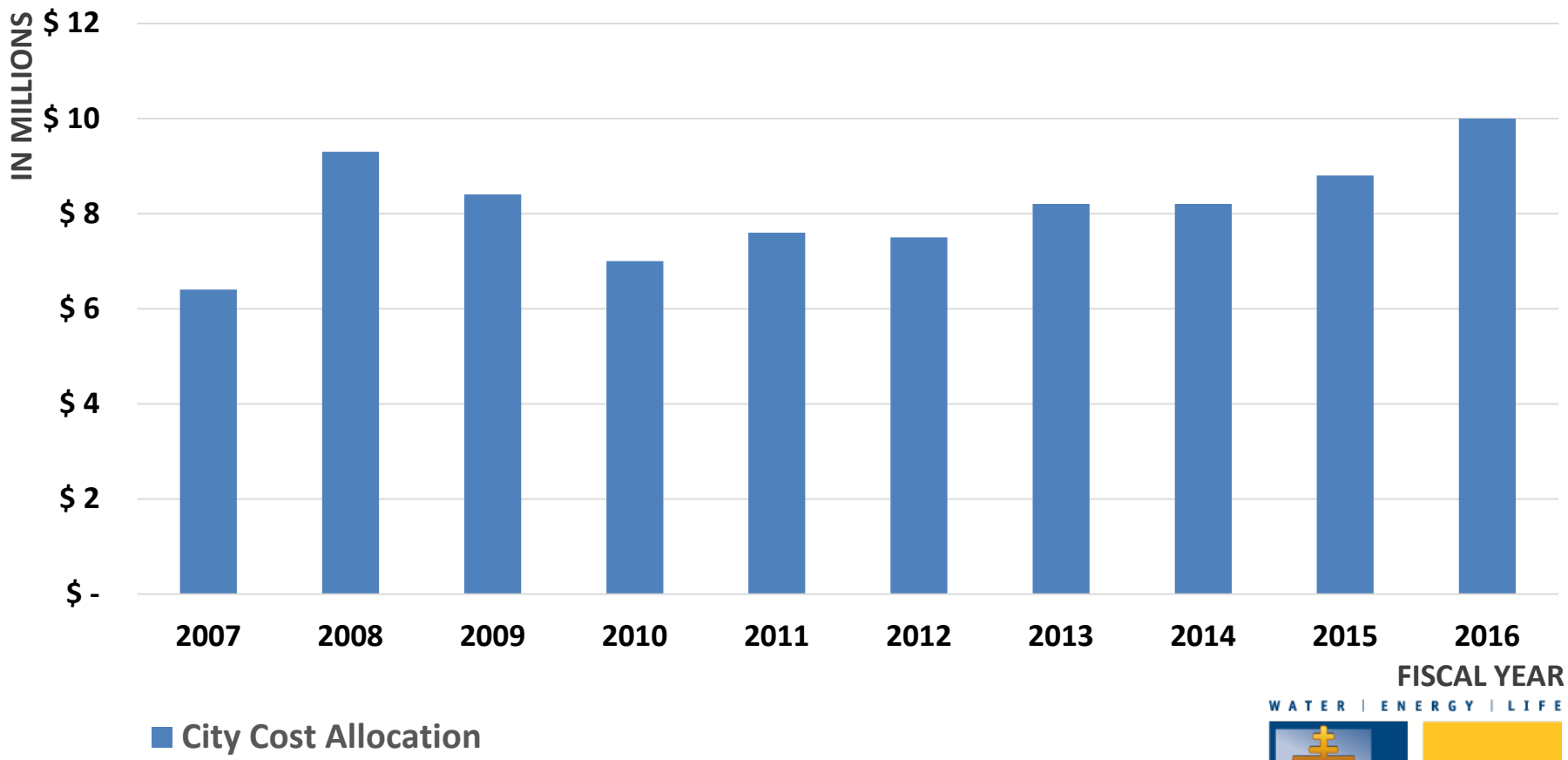
Electric – City Cost Allocation Trend



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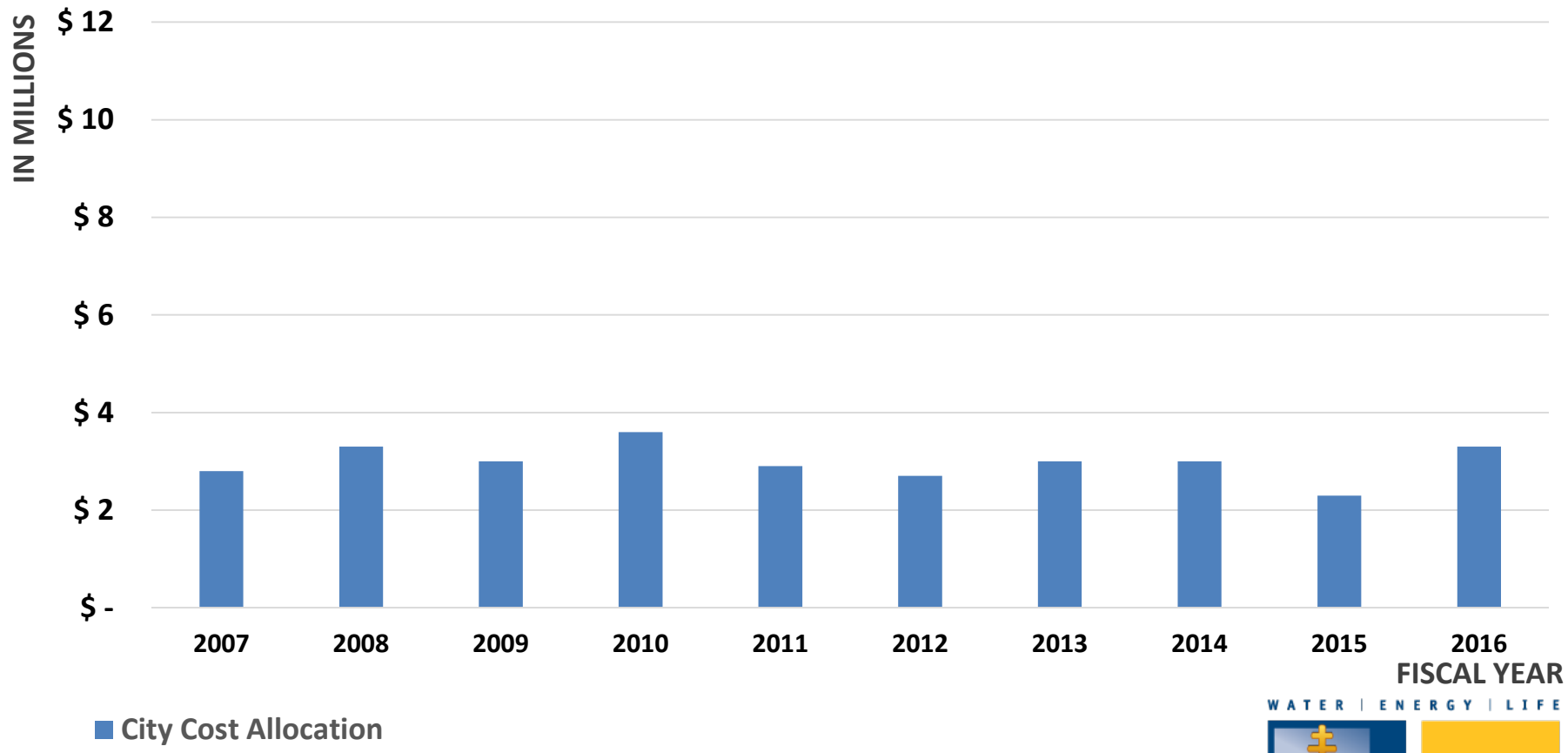
Water – City Cost Allocation Trend



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Cost Allocation Trend Analysis

- The trend in cost allocations to RPU is primarily a function of two things:
  - The size of the General Fund cost pools to be allocated (primarily staff and compensation-driven)
  - The size of the RPU budget, staff, and non-personnel spending relative to the citywide total
- Accordingly, trends are primarily attributable to these two factors

Cost Allocation Trend Analysis (Cont.)

- Several other adjustments have been made to the cost allocation plan in recent years
  - 2008 and 2009 review process
    - Identified additional cost pools for allocation consistent with industry best practices
    - Modernized and simplified cost bases
  - NBS outsourcing
    - Reviewed and updated all allocation bases
    - Identified additional cost pools for allocation consistent with industry best practices
    - Confirmed the validity of the historical cost allocation methodology
    - Incorporated latest industry best practices
    - Modified allocation distribution between electric and water funds

Interfund Loans Explained

- The City has made interfund loans for decades
  - Loans in anticipation of upcoming bond issues in order to start projects
  - Loans for projects of a small size
  - Loans to funds without bonding capacity
  - Loans for property acquisition in anticipation of future sales
- These loans are common in municipal government
- Typical loan terms are shorter than traditional financings and in the range of 5-10 years or less, versus the 20-30 years for bond financings
- Loans are made from a variety of funds, but primarily from the City's utility funds and internal service insurance trust funds
- Loans are only made from available cash reserves

Interfund Loans Explained

- The interest rate charged for interfund loans is set annually based on the average earnings of the City's investment portfolio during the previous 12 months
- Lending funds therefore receive the same interest they would have received if their reserve cash had been invested in the City's investment pool
- Interfund loans provide a cost-effective means of borrowing that saves the City money (the current interfund loan rate is less than 1% versus rates in the range of 2% - 4% for external financing)
- Flexibility is maintained to move loans between funds if the lending fund needs access to its cash reserves

Interfund Loans Explained

- Detailed records are kept in the City's financial system of all interfund loans
- Interfund loans are fully disclosed to and discussed with the bond rating agencies
- Loan transactions are audited by the City's external auditors annually
- The City has a written interfund loan policy
  - Establishes a framework for the initiation of interfund loans and related reporting and repayment
  - Requires RPU Board approval of new loans from the electric or water funds (since 2011)
  - Requires that new loans from the electric or water funds be fully compliant with any RPU reserve policies (since 2011)

RPU Interfund Loan Information

- Several small interfund loans were made from the Electric and Water Funds prior to 2008 related to impact fees for several development projects
- No other interfund loans have been made from the Water Fund
- In June 2008, the City's Chief Financial Officer transferred all outstanding interfund loans ($38.5 million) to the Electric Fund
  - Effort to consolidate and simplify loan administration
  - RPU concerns resulted in a reversal of this policy in June 2009
  - One loan remained in the amount of $5.3 million
  - Remaining loan was moved to another fund in June 2010

RPU Interfund Loan Information

- There have been no interfund loans made from or moved to the Electric or Water Funds since that time other than:
  - Riverside Golf Course loan related to property sale ($4.8M)
  - Reid Park loan related to property sale ($720K)
- These two outstanding interfund loans
  - Have been deemed to be enforceable obligations
  - Will be repaid by the Redevelopment Successor Agency
  - Must follow the original City Council and RPU Board-approved amortization schedule under state law
  - Will be repaid over the next 15 years

Overview of Propositions 218, 26 and Other

Proposition 218

- Approved by voters in 1996
- Amended California Constitution
- Requires voter approval prior to imposition or increase of general taxes, assessments, and certain user fees
- Utility rates may not exceed the cost of providing the service.
- Any excess subject to voter approval
- Applies to water, sewer and refuse rates
- Does not apply to electric rates

Proposition 218: Process Approval of Rates

- 45 days' mailed notice of the proposed increase
- Majority protest public hearing (50% plus 1)
- Applies to water, refuse, sewer rates
- Does not apply to electric rates

Proposition 26

- Approved by voters in 2010
- Amended California Constitution
- Reaction to *Sinclair Paint Co. v State Board of Equalization*
  - 1997 California Supreme Court case
  - Upheld state fees imposed on business that made products containing lead
  - Fee funded health services to children and to mitigate lead contamination
  - Court upheld the fee as a regulatory fee

Proposition 26

- Requires 2/3 voter approval of certain fees, levies, charges and tax revenue allocations
- Seven exemptions
- Overall effect: charges that were formerly “fees” must be passed by 2/3 votes because they are now “taxes” unless exempt
- Applies to electric rates
  - Electric rates may not exceed the cost of providing the service
  - Any excess requires 2/3 voter approval

Proposition 26 – Seven Exemptions

- One: charge for a specific benefit granted directly to payer
  - Can't exceed reasonable cost
  - Example: License or franchise
- Two: charge for a specific service provided directly to the payer
  - Can't exceed reasonable cost
  - Example: park services, electric rates
- Three: charge for a reasonable regulatory cost
  - Can't exceed reasonable cost
  - Example: licenses, permits, inspections

Proposition 26 – Seven Exemptions

- Four: charge for use of government property
  - No reasonable cost limitation
  - Example: Purchase or rental, park entrance fees
- Five: fines or penalty for violation of law
  - No reasonable cost limitation
  - Example: parking fine, criminal fine
- Six: Development impact fees
  - Limitation on amounts regulated by Govt. Code
- Seven: charges covered by Prop 218
  - Example: water, refuse, sewer rates

Proposition 26 – “Eighth” Exemption

- Charge adopted prior to 1/1/10
  - “Grandfathered”
  - Applies to all fees, assessments, levies

General Fund Transfer

- 1907: The general fund transfer approved by voters as part of the original charter: "Said rates should preferably, but not necessarily, yield a reasonable profit and interest on the investment to the city . . ."
  - No cap on amount
- 1968: voters approve setting the transfer amount at 11.5%
- 1977: voters approved limiting the transfer to "not to exceed" 11.5%
- 2013: voters re-approve the water transfer

Other Legal Issues

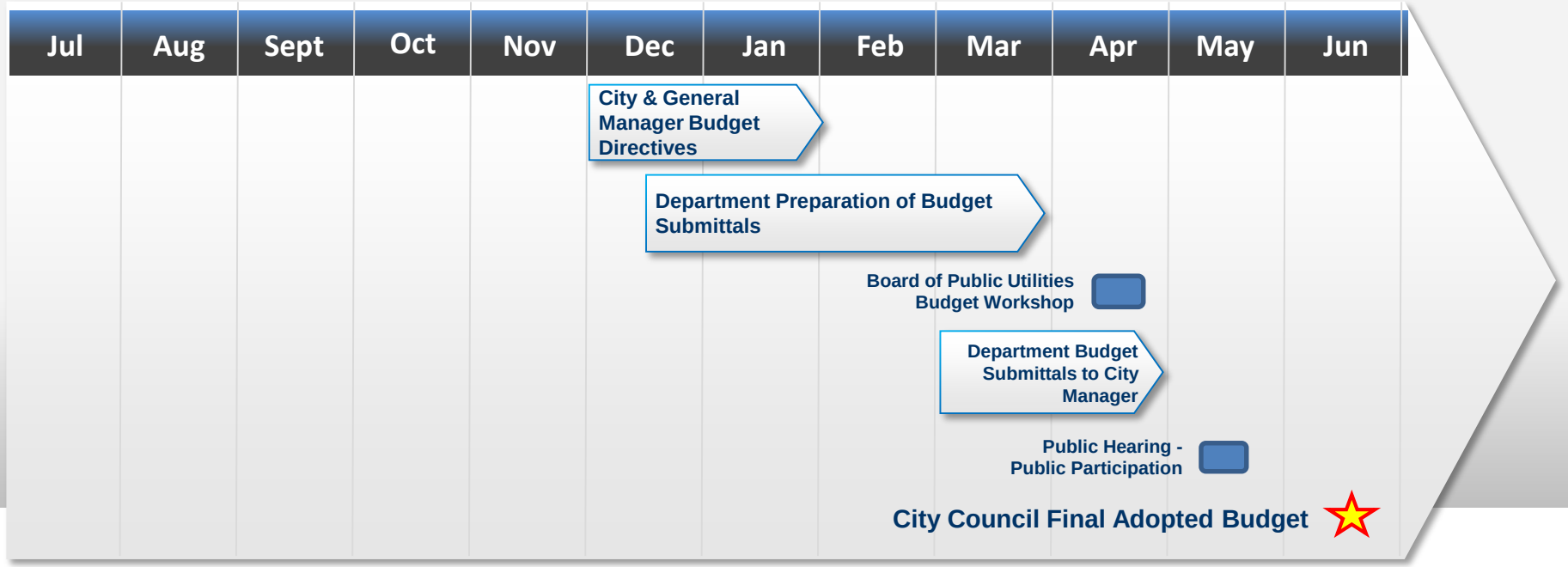
- Electric GFT/Prop 26: Exempt because adopted prior to 2011.
- Refunds to Ratepayers: The refund must be reasonably related to the cost to provide service
- 11.5% transfer is discretionary

RPU Budget and Budget Trends

Annual Budget

- Meet Strategic Objectives
- Operating Budget
  - Balanced budget
  - Key components – operation and maintenance, power supply, debt service, General Fund transfer, special programs
- 5-Year Capital Improvement Program (CIP)
  - Improve system reliability
  - Replacements and upgrades
  - Services to new customers
- Affordable within current rate plan

BUDGET TIMELINE



1.	City & General Manager Budget Directives	Dec. – Jan.
2.	Department Preparation of Budget Submittals	Dec. – Mar.
3.	Board of Public Utilities Budget Workshop	April
4.	Department Budget Submittals to City Manager	Mar. – Apr.
5.	Public Hearing - Public Participation	May
6.	City Council Final Adopted Budget	June

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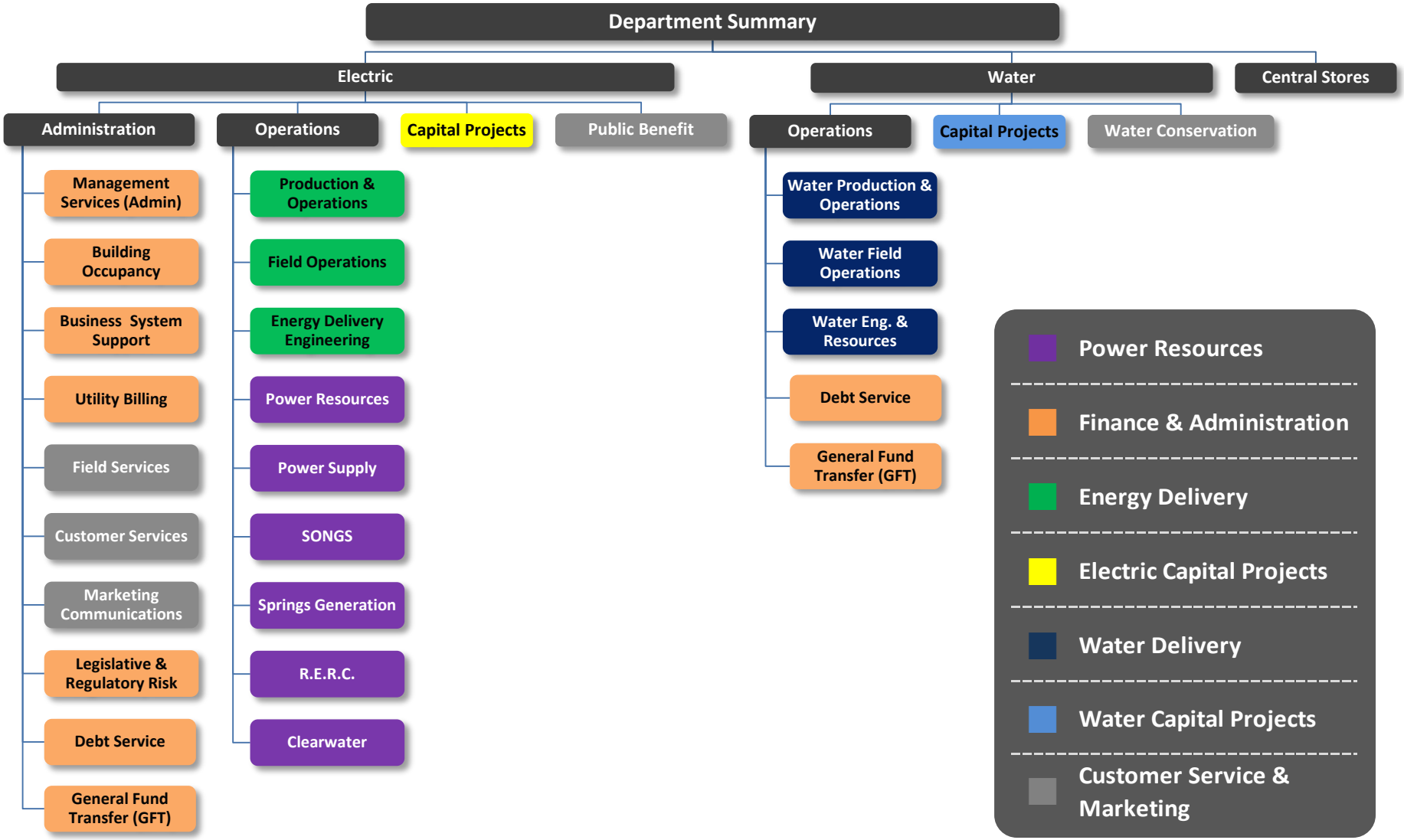
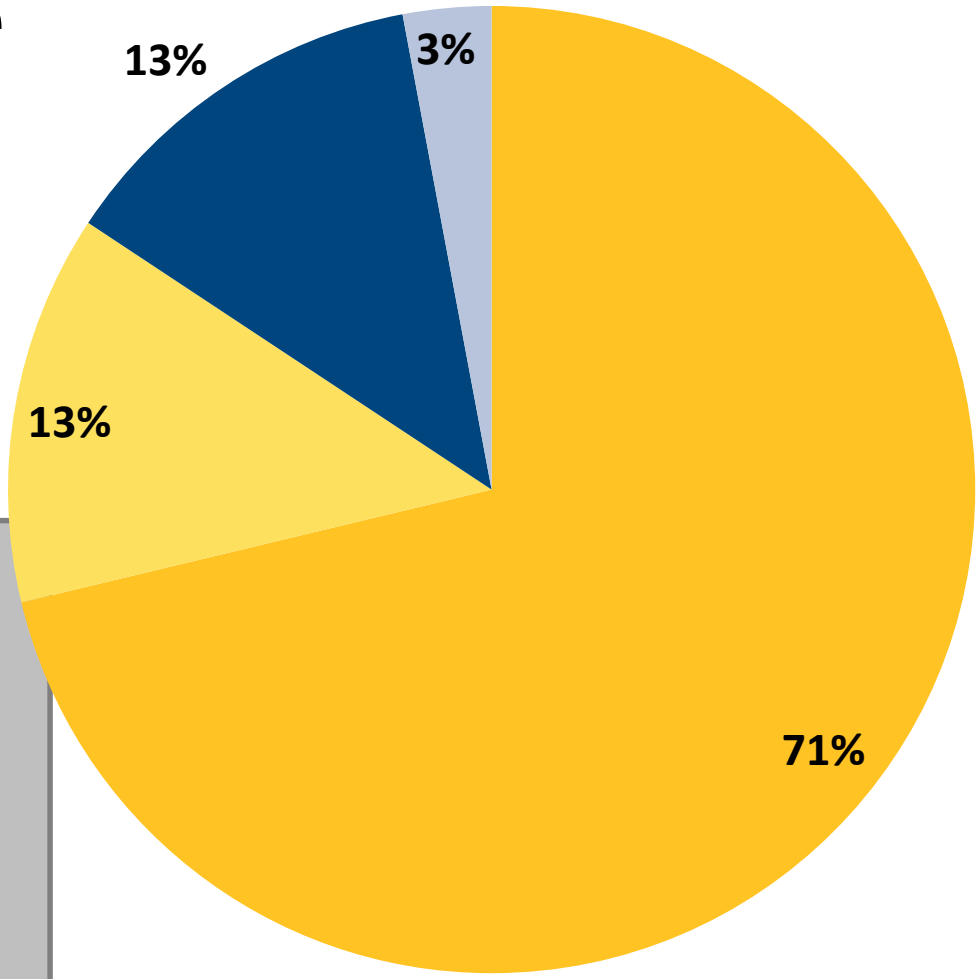
RPU Budget Cost Centers Structure

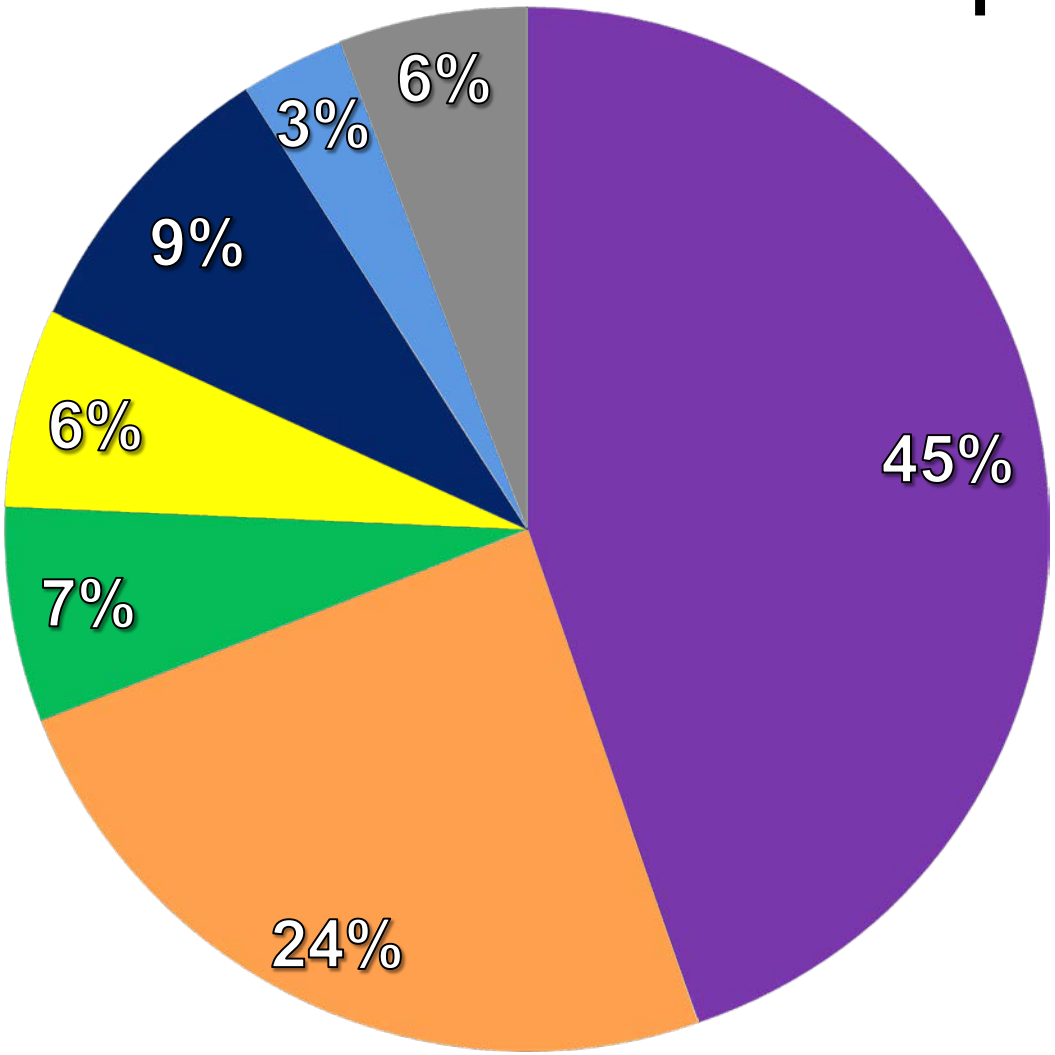


FY 15/16 Revenue Budget



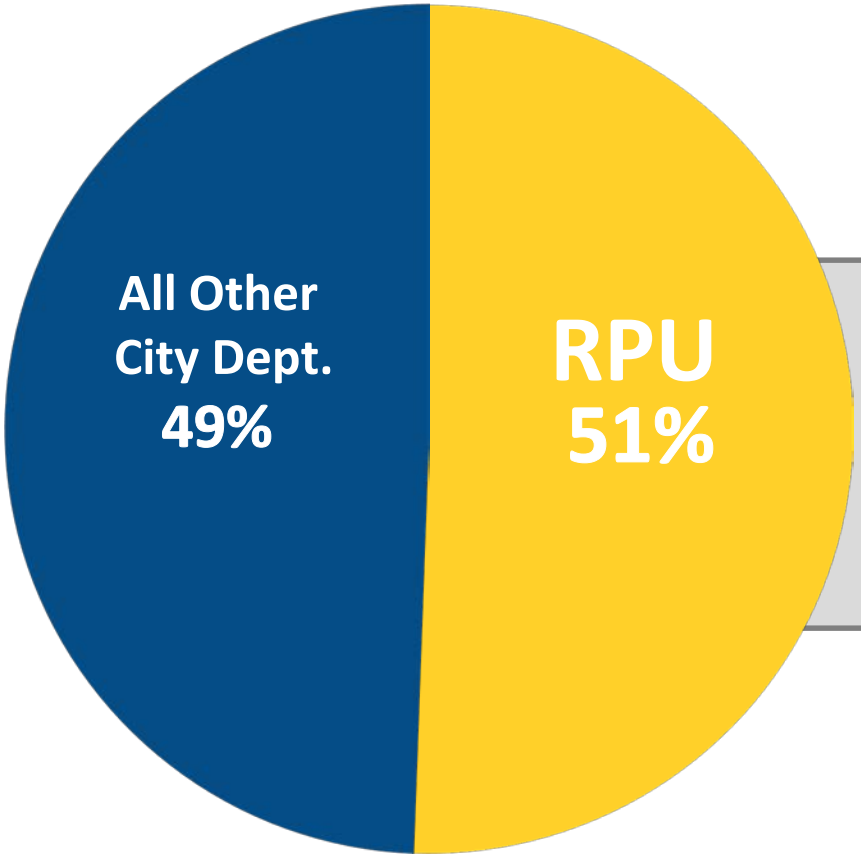
Retail Sales - Electric	$ 313.8 M
Other Revenues - Electric	57.5 M
Total Electric Revenues	**$ 371.3 M**
Retail Sales - Water	56.2 M
Other Revenues - Water	13.0 M
Total Water Revenues	**$ 69.2 M**
Total RPU Revenues	**$ 440.5 M**

FY 15/16 Budget



Power Resources	$ 222.1 M
Finance & Admin.	$ 121.2 M
Energy Delivery	$ 33.1 M
Electric Capital Projects	$ 30.6 M
Water Delivery	$ 45.2 M
Water Capital Projects	$ 16.1 M
Cust. Serv. & Mkt	$ 28.9 M
	$ 497.2 M

RPU – Percentage of City Budget



Riverside Public Utilities	$ 497.2 M
All Other City Departments	485.8 M
Total City Budget	**$ 983.0 M**

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RPU GM Directives

- Cost Conscious Strategy inline with City and Board Objectives
- Gear towards RPU's Strategic Plans building the foundation for the Utility of the future.
- Operating Budget
  - No new FTE's, managers encouraged to repurpose FTE's
  - Rollover budget focusing on safety, new technology and training
  - Supplemental Requests with Justifications
  - Balanced Budget
- Affordable within current rate plan and established reserves

Affordability Guidelines

- No rate increases included
  - Recycled Water Plan – not included
- Continuing current reliability and customer service levels
- Maintaining High Credit Ratings
  - Solid Financial Results and Financial Ratios
    - Cash reserves
    - Liquidity
    - Debt service coverage
  - Meet Strategic Objectives and Planned Projects
- Within Financial Plan

Operating Budget – Affordability

- Major Revenue Sources
  - Retail Revenue based on forecasted load and current rate plan
  - Transmission Revenue (Electric)
  - Other Operating Revenues
  - Water Conveyance Revenues (Water)
  - Investment Income
- Projected Revenue to cover Projected Expenses
- Specific circumstances may require use of reserves

Capital Improvement Program

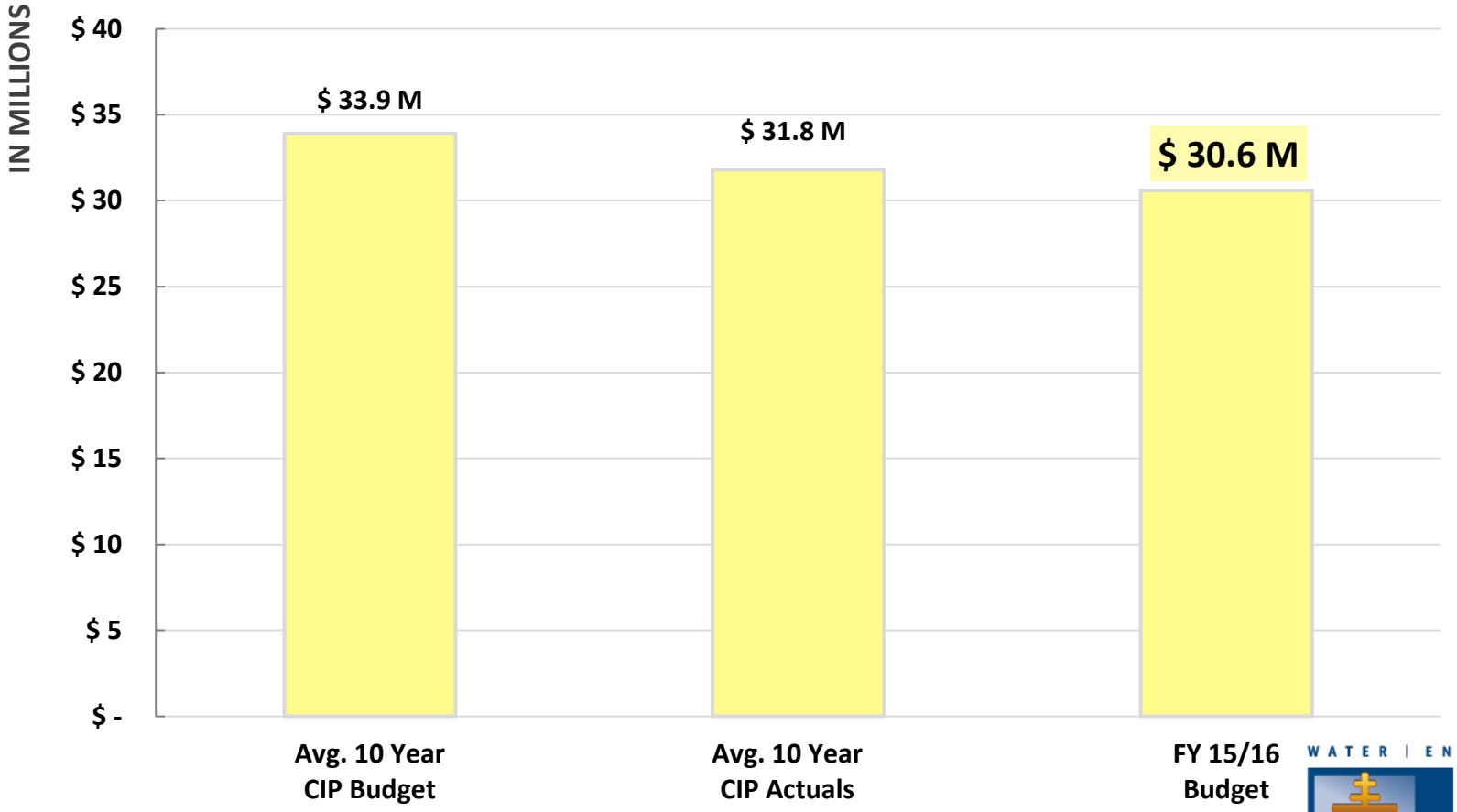
Capital Improvement Program

- Five-year capital improvement plan (CIP)
- Planning Tool, 1st year of CIP included in operating budget
- Funding sources
  - Rates – recurring projects (current & new customers)
  - Reserves – project based
  - Bonds – system improvements
  - Reimbursements – others

Capital Improvement Program

- Recurring Projects
  - Services to new customers
  - Replacements (Meters and Transformers)
  - Small scale improvements and rebuilds
- System Improvements
  - Major Projects
  - System Upgrades
  - Main Replacements
- Projects Driven by Others
  - Street-widening Projects
  - Rehabilitation Projects

Electric Utility – CIP Trend



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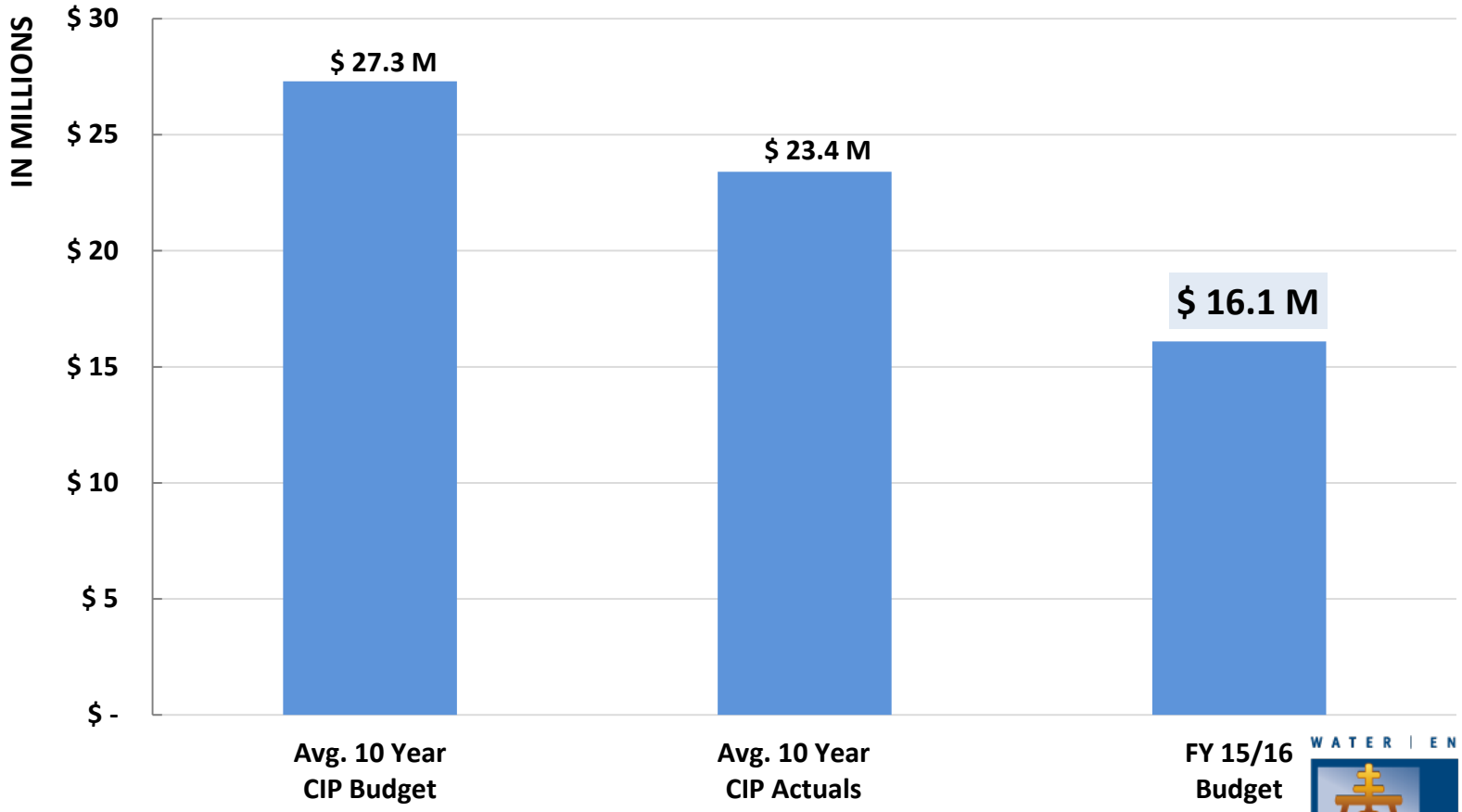
Water Utility – CIP Trend



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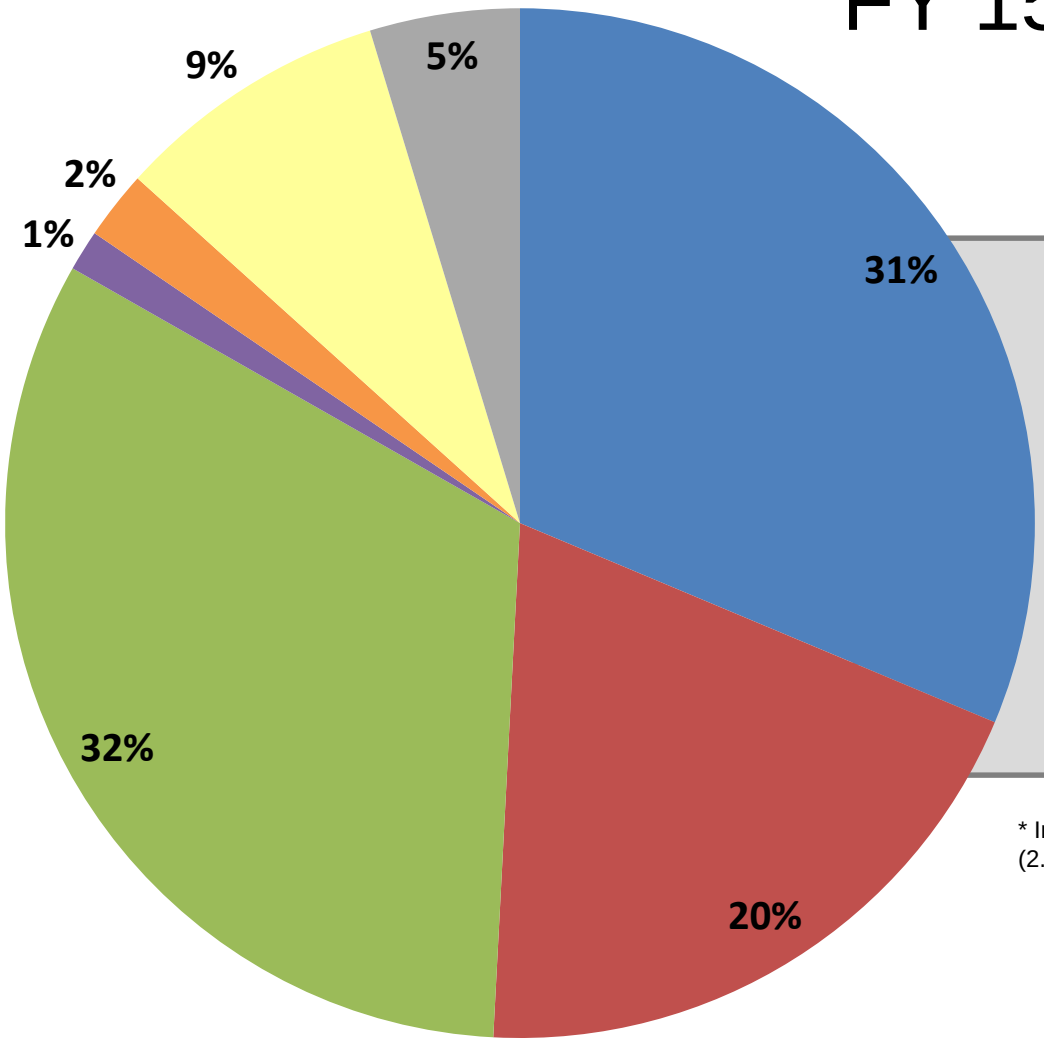
Electric Utility Budget

Electric Utility
FY 15/16 Revenue Budget



Residential	$ 116.3 M
Commercial	72.4 M
Industrial	120.3 M
Other Retail Sales	4.8 M
Total Retail Electric Sales	**$ 313.8 M**
Other Operating Revenues	8.0 M
TRR Revenue	32.0 M
Other Revenues *	17.5 M
Total Electric Revenues	**$ 371.3 M**

* Includes $9.0 M Public Benefit Revenues – restricted funds (2.85% Surcharge)

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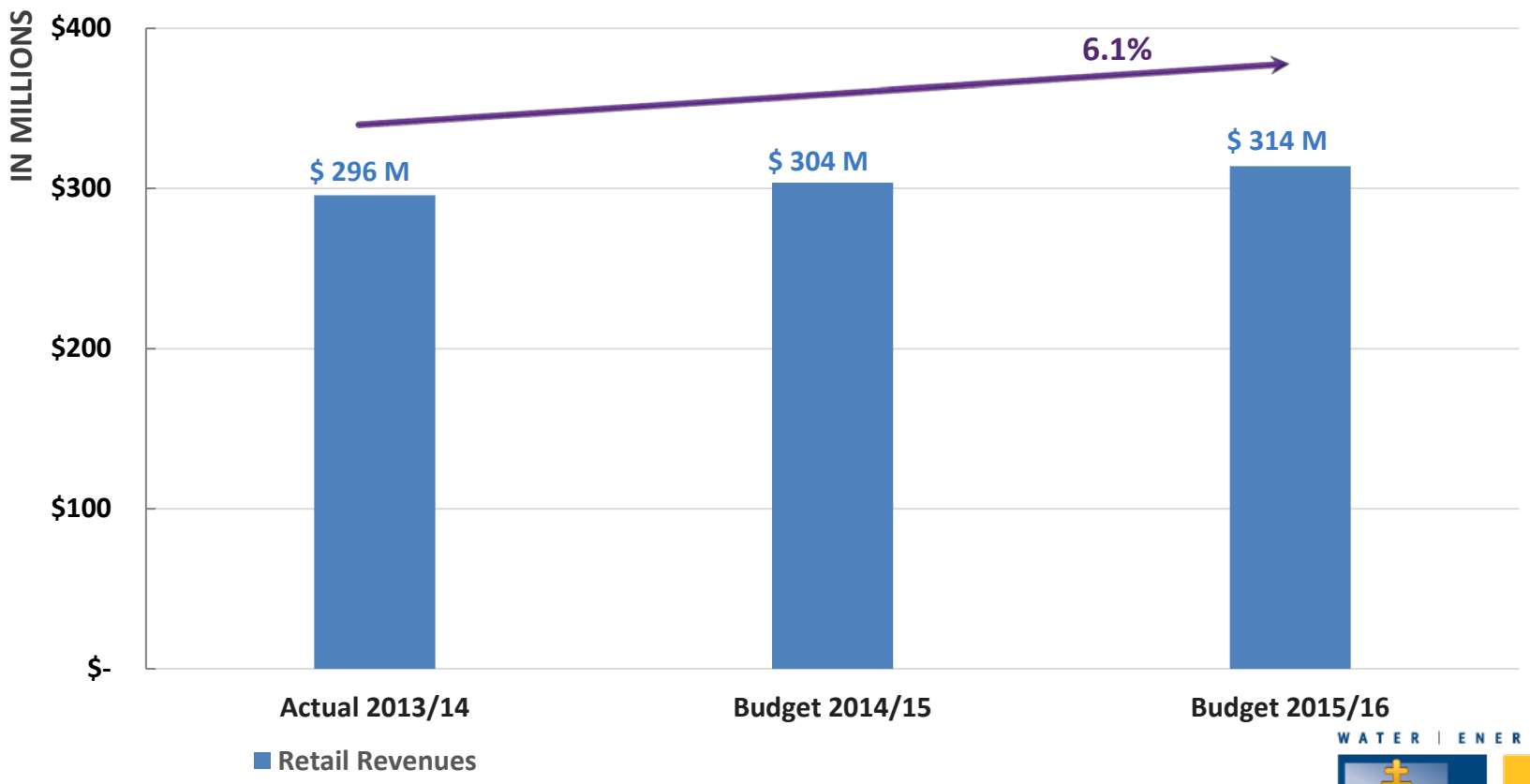
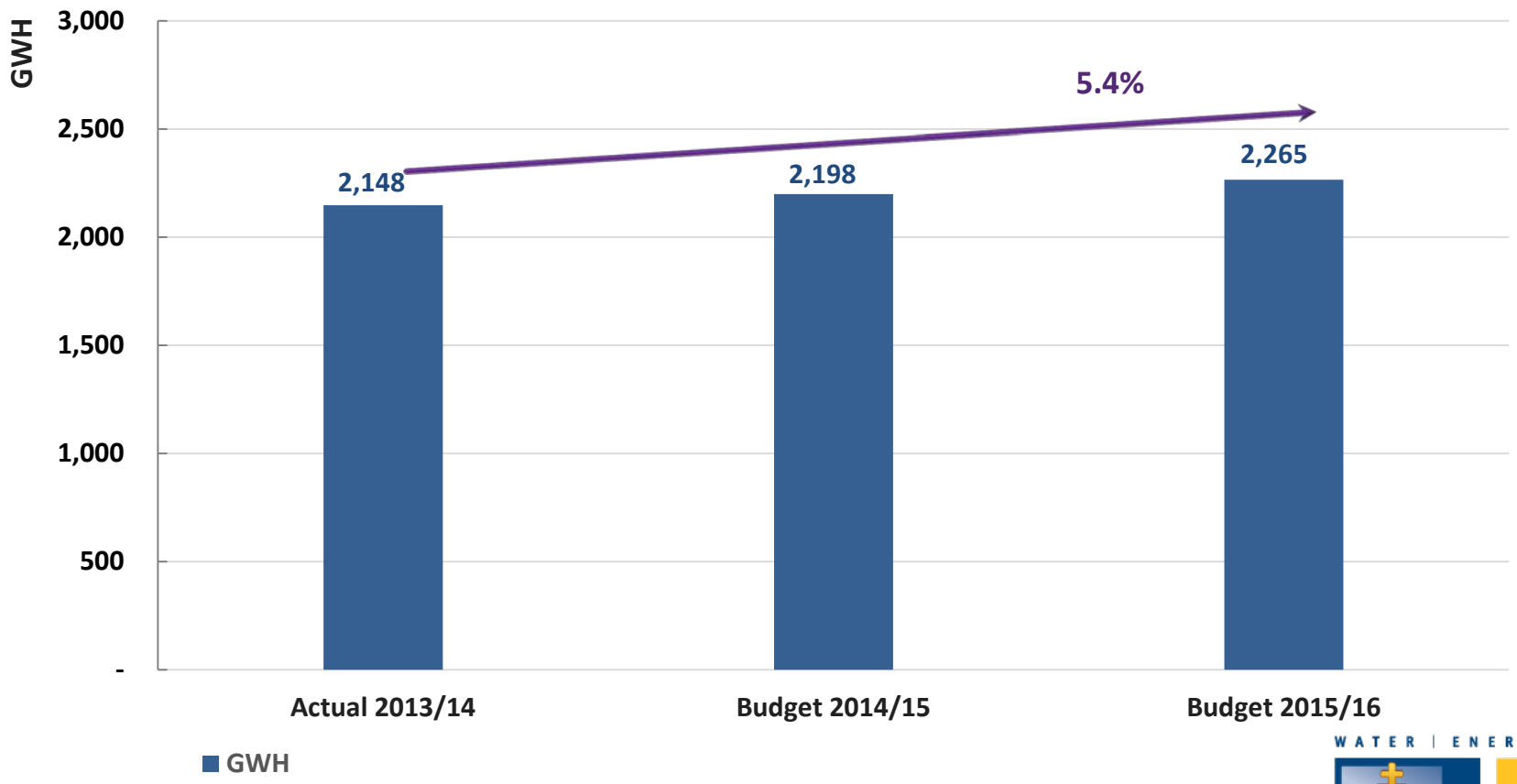
Electric Utility – Retail Revenues



Electric Utility – GWH Sales



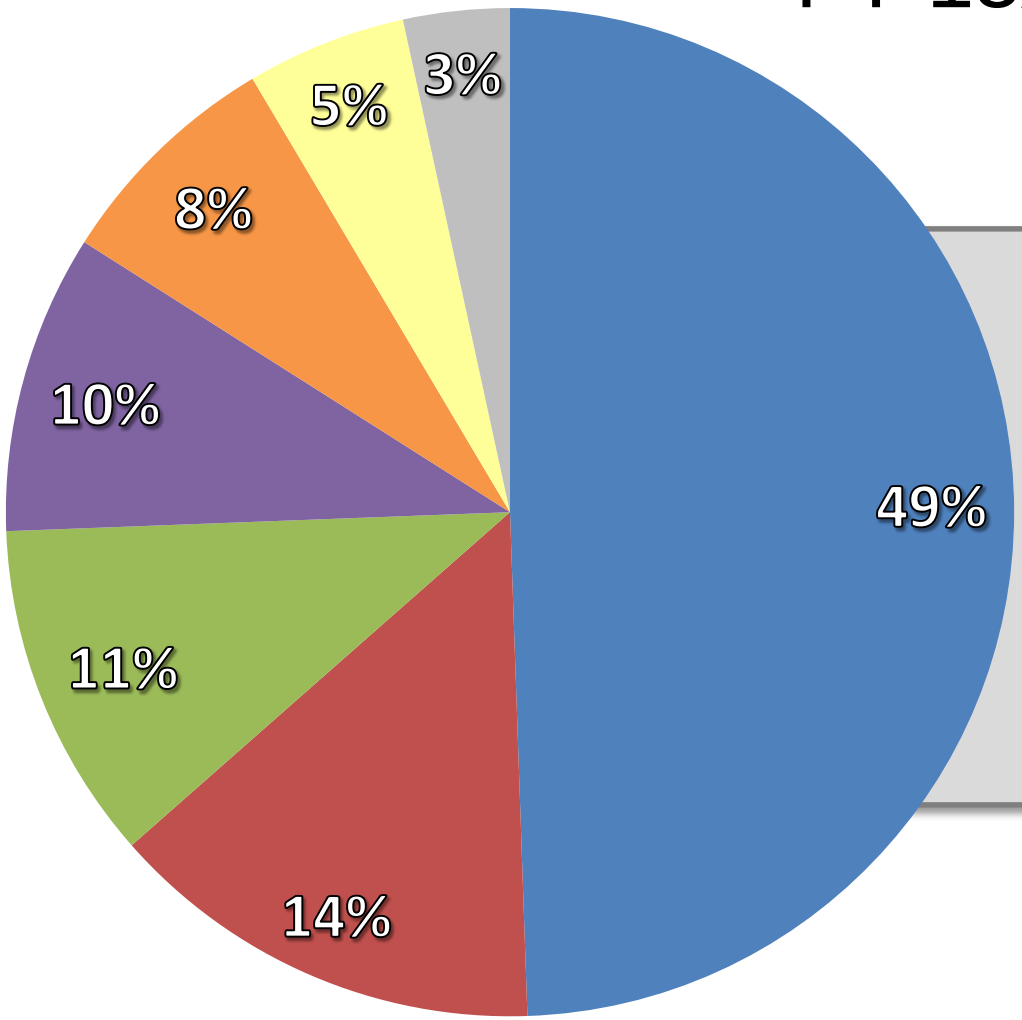
Electric – Other Revenues

Approx. 16% of all Electric revenues

- Transmission Revenues
- Cap and Trade Auction Proceeds*
- Misc. Service Revenues (48-hr tags)
- Investment Income
- Contributions in Aid of Construction
- Public Benefit Programs*

*restricted funds

Electric Utility
FY 15/16 Operating Budget



Power Supply	$ 202.6 M
Personnel Services	57.6 M
Debt Services	44.7 M
General Fund Transfer	39.3 M
Capital Improvements	30.6 M
O & M	21.0 M
Total Budget (less Public Benefits)	**$ 395.8 M**
Public Benefits	$ 14.0 M

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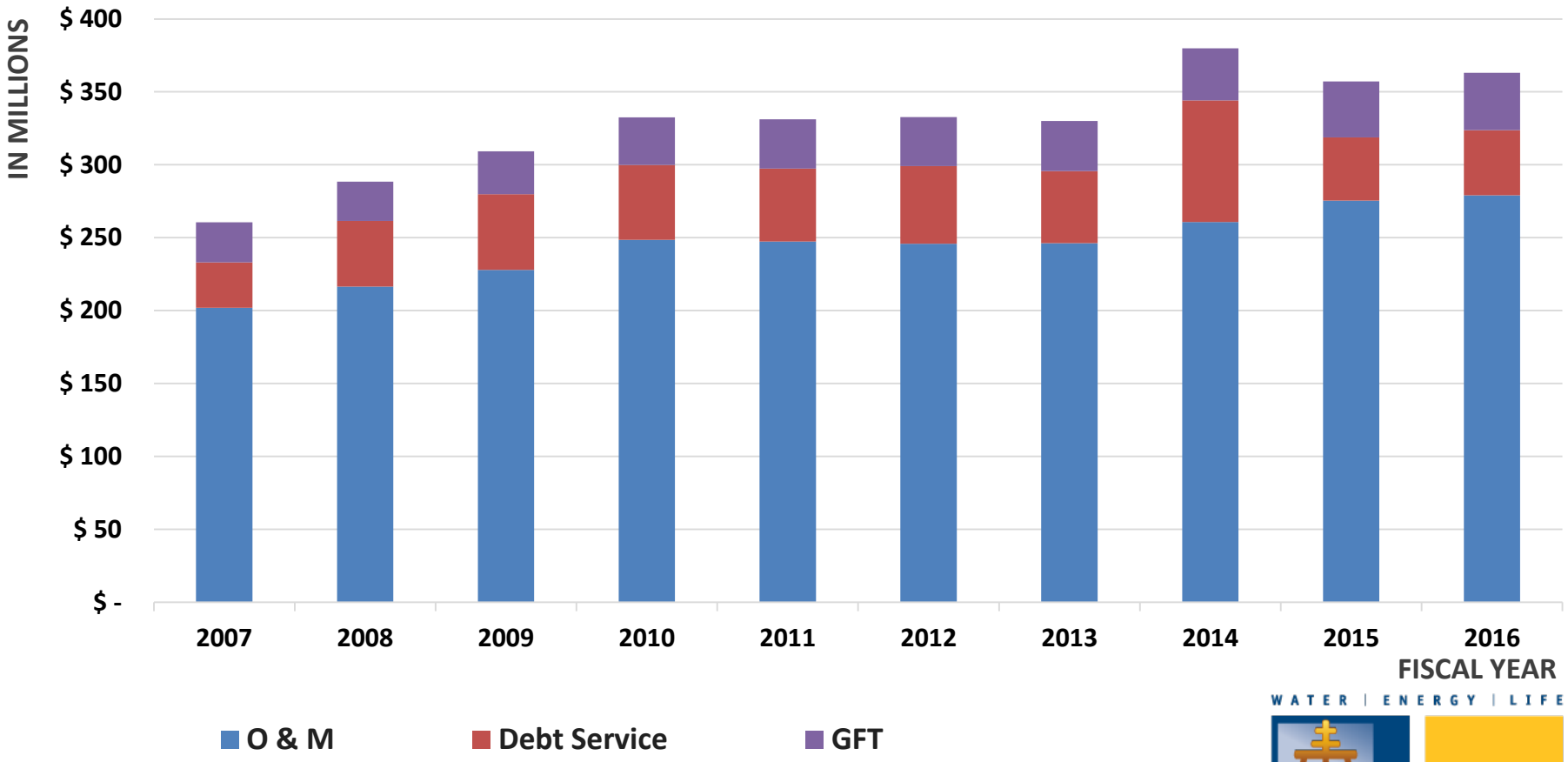
Electric – Operating Budget Trend



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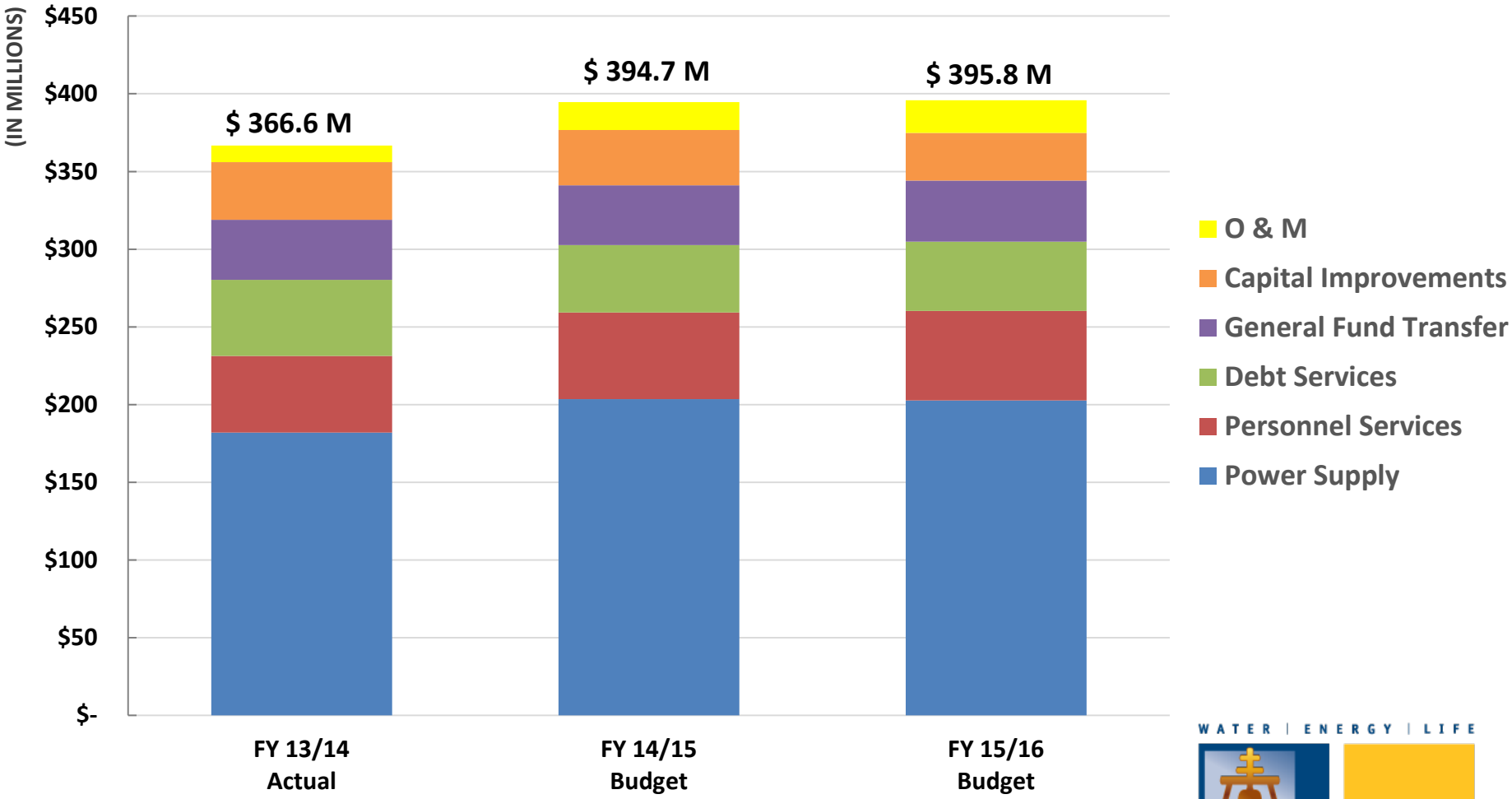
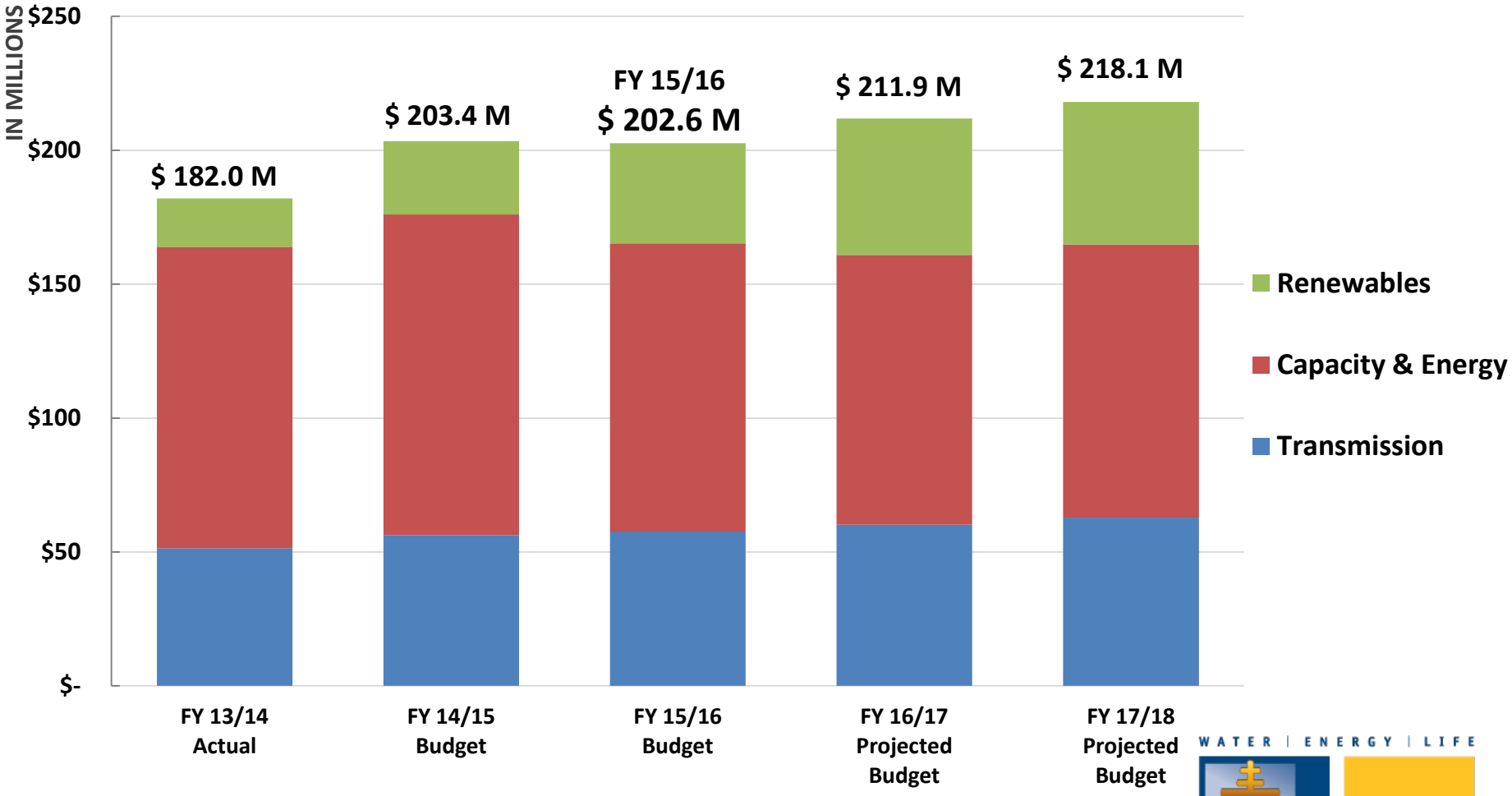
Electric Fund Summary



Electric Utility – Power Supply Trend



Power Supply Budget

What is SCPPA

- 1980 Southern California Public Power Authority - A Joint Powers Agency (JPA)
- 8/26/1980 - Riverside's City Council approved participation in SCPPA
- SCPPA's purpose is broadly defined to "create a separate public entity to undertake the planning, financing, development, acquisition, construction, operation and maintenance of one or more projects for the generation or transmission of electrical energy"
- Currently twelve members: Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Imperial Irrigation District, Los Angeles, Pasadena, Riverside and Vernon
- Members serve 2 million metered customers, with a population of 4.8 million
- SCPPA provides economies of scale and scope to benefit all members

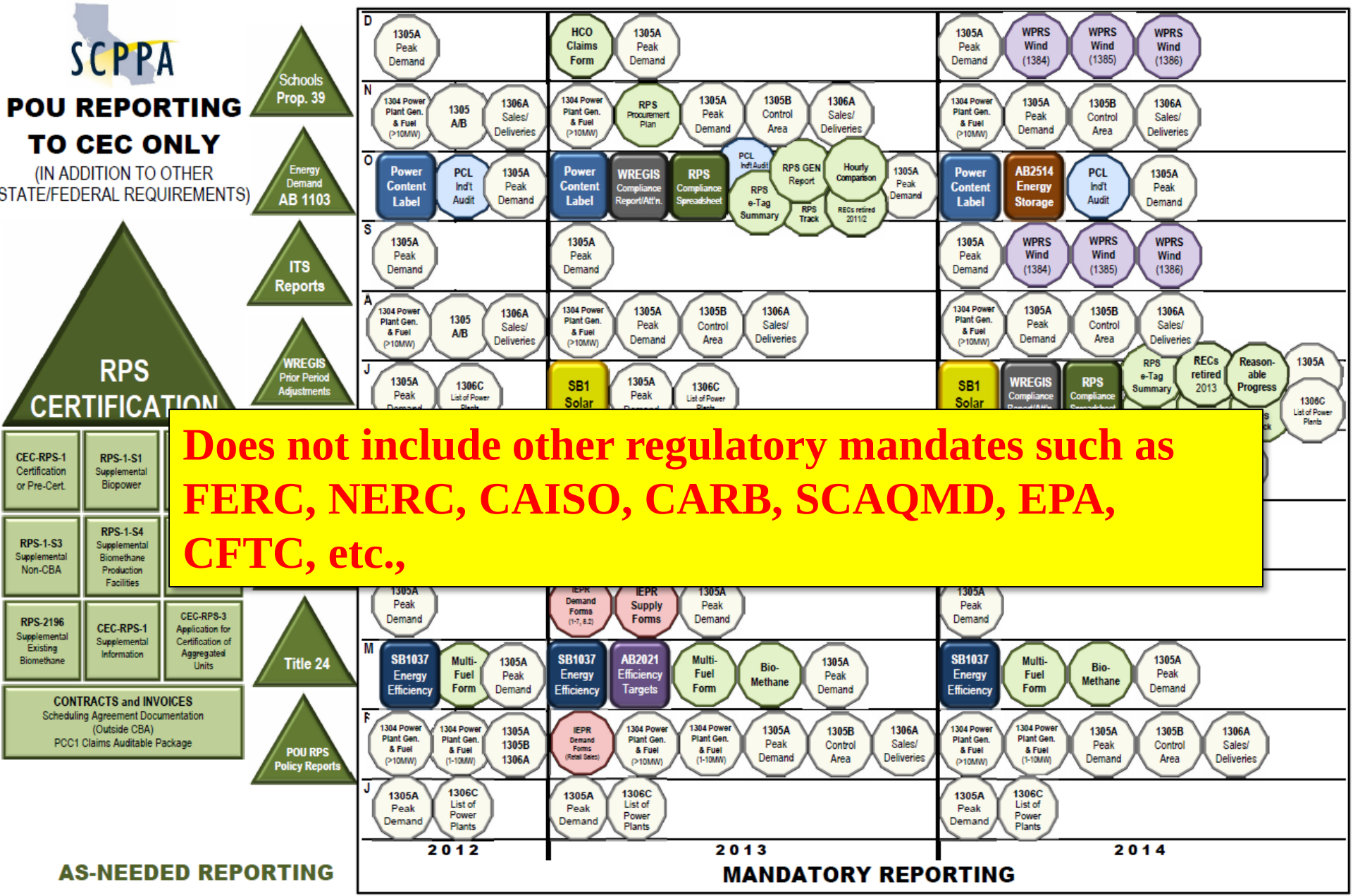
SCPPA at Glance (Continued)

- Governed by a twelve-member Board of Directors - one member/one rep
- SCPPA is subject to Brown Act: all meetings are open to the public
- SCPPA Board approves project budgets
- SCPPA Board approves administrative budgets
- SCPPA Board approves other services
- SCPPA bills participants monthly for projects and services
- SCPPA Audit Committee oversee independent financial audit
- SCPPA's JPA model has lower overhead (<2%) than most JPAs
- Members account for costs in their books & records
- RPU Board and CC approve RPU Budget—including projects
- RPU & City have independent financial audit/audit opinions

SCPPA – 6 Original Projects

- **Palo Verde (1981)**
- **Mead-Adelanto (1992)**
- **Hoover Uprating (1986)**
- **Southern Transmission System (1983)**
- **Mead-Phoenix (1992)**
- San Juan (1993)

Regulatory Requirements – "Bubble Chart"



Does not include other regulatory mandates such as FERC, NERC, CAISO, CARB, SCAQMD, EPA, CFTC, etc.,

SCPPA Today –33 Current Projects

- **Palo Verde**
- **Mead-Adelanto**
- **Southern Transmission System**
- Magnolia
- Ormat Heber South
- Ormat Don Campbell 1
- Ameresco/Chiquita Gas
- Barnett Nat Gas
- Pinedale Nat Gas
- Tieton Small Hydro
- **sPower Antelope Big Sky (2016)**
- **Recurrent Clearwater (?)**
- **First Solar Kingbird (2015)**
- San Juan
- **Mead-Phoenix**
- **Hoover Uprating**
- Apex Power
- Ormat Heber 1
- Ormat Don Campbell 2
- LACSD Puente Hills
- Natural Gas Reserves
- MWD Small Hydro
- Sempra Copper Mountain
- **sPower Summer Solar (2016)**
- **Dominion Columbia II (2014)**
- 8me Springbok I
- Milford I Wind
- Milford II Wind
- Pebble Springs Wind
- Windy Point/Windy Flats
- Recurrent Astoria 2
- Linden Wind

SCPPA – Original Member Committees

- Board of Directors
- Executive Committee
- Finance Committee

SCPPA Today – Current Member Committees

- Board of Directors & Executive Comm
- Finance Committee
- Customer Service Working Group
- Electric Vehicle Working Group
- Generation Group
- Legislative Working Group
- Natural Gas Reserve Working Group
- Public Benefits Working Group
- Rate Design Working Group
- Regulatory Working Group
- Renewables Projects Operating/Coord. Comm
- Resource Planning Working Group
- Risk Management Committee
- Transmission & Distribution Eng & Ops

Increasing Regulation Over Electric Utilities

- Pre-deregulation (1980 through early 2000's) –services/costs are project related
- 2006 -- CA landmark legislation – AB 32 & SB 1368
- 2006 – Planning activities for power generation became much more extensive
- 2005 -- SB 1037 established loading order for preferred resource procurement
  - First look at energy efficiency & demand reduction prior to procurement
  - Changed the historical power procurement planning process to require more planning
- 2006 – AB 2021 established mandatory energy efficiency mandates
- 8/14/2007 – CC approved Public Benefits program participation thru SCPPA
- Increasing needs driven by electric industry transformation **– increases SCPPA's value**
- Regulatory impacts to (non-jurisdiction?) POUs
  - CARB, CAISO, CEC, CFTC, NERC, USEPA, SCAQMD, etc.,

Increasingly complex power markets and regulatory oversight drives the need for SCPPA members to collaboratively plan their activities

Energy efficiency is a resource

Joint Services- Planning for Utility of the Future

- Decentralized resources
- Plug & play service
- Two way distribution power system
- Integrating demand & supply
- Technology innovations
- EPA restrictions
- Renewable integration
- AQMD NOx Shave

- Distribution grid operator
- Technology innovations
- 50% RPS
- ystem
- Regulation mandates
- Clean energy standard
- National mandates
- Compliance reporting

- Likely more mandates to come…
- Economies of scale reduces RPU rate increases
- Member benefits from SCPPA will increase

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CITY OF RIVERSIDE PUBLIC UTILITIES

RPU's Use of SCPPA Procurement

- Historically Riverside jointly procured generation & transmission projects
- More recently, Riverside entered into power purchase agreements through SCPPA
- Increasing regulatory oversight requires more planning procurement process and decisions
- Integrating demand and supply resources
  - AB32, SB1368, SBX1-2, AB2514, AB1037, AB2021…
  - Energy efficiency is resource
  - Demand response is a resource
  - Energy storage is a resource
  - Distributed generation is a resource

RPU's Use of SCPPA Procurement

SCPPA offers planning services for participation in joint projects, including

- **Efficiency Programming:**
  - Refrigerator recycling
  - Energy efficiency direct install program
- **Power Resources**
  - Joint power projects
  - Regulatory, transmission consulting
- **Administration**
  - APPA Dues, Moody's credit monitoring
- **Training & consulting**
- **Intern program –succession planning & grow your own**

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SCPPA Legal Services

- 1980 CC approved Riverside's membership in SCPPA
- SCPPA is a separate public entity for G & T projects
- SCPPA has retained inside/outside counsel to assist w/its purpose
- Law firms represent SCPPA – not the City of Riverside
- Member costs are valid SCPPA membership/project costs
- Riverside proportionate share-- generally between 5 - 12%
- FY 14 Hanna & Morton bills - $329K
  - **Riverside Portion $41,088**

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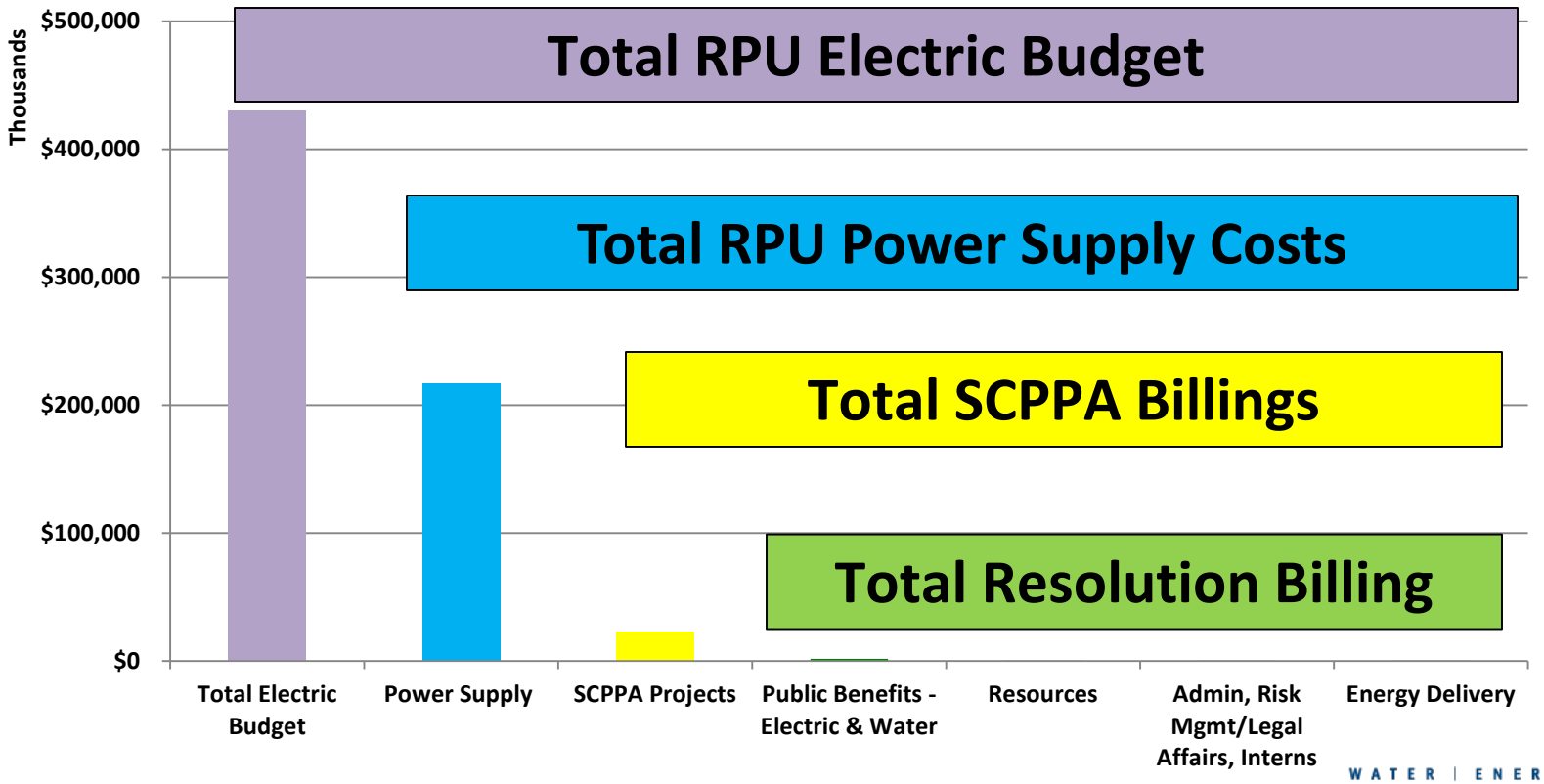
Member Benefits - Economies of Scale

Some Examples of Savings:	RPU Alone	Thru SCPPA	Est. Savings
• RHA (direct install program)	$985,483	$856,942	$128,541
• Hanna & Morton	$329,180	$41,088	$288,092
• AB2514 Energy Storage Model	$75,000	$15,000	$60,000
• ARCA (refrigerator recycling)	$160,800	$128,440	$32,360
• GE –LM6000 training	$5,500/pp	$500/pp	Varies
• NERC Training	$500/pp	$65/pp	Varies
• Participation in large solar PPAs savings of $4-5/MWh			>$500,000

From few examples listed **- Savings > $1M/year**
Many more unquantified….

RPU Total Electric Budget v. Power Supply v. SCPPA Projects v. SCPPA Resolutions



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CITY OF RIVERSIDE PUBLIC UTILITIES

Conclusions – SCPPA Activities are Appropriate

- Increasing regulatory oversight increases SCPPA's value to members
- Industry transformation continues to change resource definition
- Significant cost savings thru SCPPA & economies of scale
- Joint legislative/regulatory services are necessary & required
- Bringing services in-house would have cost & rate impacts
- SCPPA services are economical & benefit members & ratepayers
- Services procured thru SCPPA are appropriate

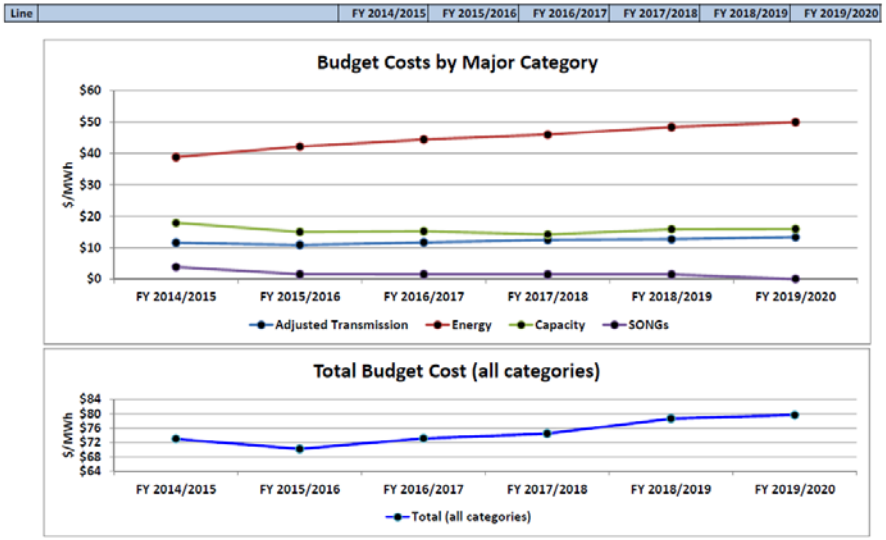
Power Supply Budget

- Provides a 5-year projection of RPU's Wholesale Power Supply Costs
- Excel Workbook links to Production Cost Modeling Software, and most budget information populates automatically
- Only a few budget sections require manual entry

Power Resource Budget Projections: Primary Metrics
10 Yr Budget Report:2014-12-26 Batchid 901 - RPU Master Long Term
All Costs/Revenues in ($1000)

Line		FY 2014/2015	FY 2015/2016	FY 2016/2017	FY 2017/2018	FY 2018/2019	FY 2019/2020
163	Summary						
164	Gross Costs	$ 204,983	$ 202,628	$ 211,896	$ 218,017	$ 231,411	$ 237,708
165	Gross Revenue	$ (35,000)	$ (36,154)	$ (36,420)	$ (36,743)	$ (37,070)	$ (37,399)
166	Net Costs	$ 169,983	$ 166,474	$ 175,476	$ 181,274	$ 194,341	$ 200,309
167							
168	Summary						
169	Transmission	$ 57,821	$ 57,676	$ 60,188	$ 62,863	$ 64,127	$ 66,758
170	Energy	$ 90,459	$ 100,020	$ 106,682	$ 111,974	$ 119,562	$ 125,542
171	Capacity	$ 41,617	$ 35,547	$ 36,488	$ 34,549	$ 39,087	$ 40,026
172	SONGS	$ 8,781	$ 3,545	$ 3,545	$ 3,545	$ 3,545	$ -
173	GHG Regulatory Fees	$ 261	$ 250	$ 250	$ 250	$ 250	$ 250
174	Amendment 60 Settlement	$ -	$ -	$ -	$ -	$ -	$ -
175	Contingency Generating Plants	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200
176	Gas Burns + Net Hedge Cost or (Revenue)	$ 3,844	$ 3,391	$ 2,542	$ 2,636	$ 2,640	$ 2,932
177	SUBTOTAL COST	$ 204,983	$ 202,628	$ 211,896	$ 218,017	$ 231,411	$ 237,708
178	CO2 Allowance Auction Revenue	$ (4,000)	$ (4,154)	$ (4,100)	$ (4,100)	$ (4,100)	$ (4,100)
179	TRR Revenue	$ (31,000)	$ (32,000)	$ (32,320)	$ (32,643)	$ (32,970)	$ (33,299)
180	SUBTOTAL REVENUE	$ (35,000)	$ (36,154)	$ (36,420)	$ (36,743)	$ (37,070)	$ (37,399)
181							
182	TOTAL	$ 169,983	$ 166,474	$ 175,476	$ 181,274	$ 194,341	$ 200,309
183							
184	Summary (Cost/Gross Load)						
185	Adjusted Transmission	$ 11.51	$ 10.82	$ 11.61	$ 12.41	$ 12.61	$ 13.31
186	Energy	$ 38.83	$ 42.16	$ 44.45	$ 45.99	$ 48.38	$ 49.93
187	Capacity	$ 17.87	$ 14.98	$ 15.20	$ 14.19	$ 15.82	$ 15.92
188	SONGs	$ 3.77	$ 1.49	$ 1.48	$ 1.46	$ 1.43	$ -
189	Total (all categories)	$ 72.97	$ 70.16	$ 73.11	$ 74.45	$ 78.64	$ 79.66

Power Resource Budget Projections: Primary Metrics
10 Yr Budget Report:2014-12-26 Batchid 901 - RPU Master Long Term
All Costs/Revenues in ($1000)



Power Supply Budget Input Sources

Production Cost Modeling Software	
Ascend Analytics – Better models. Better decisions	• A fully integrated, PCM simulation used to value RPU's portfolio (e.g., generation assets, load obligations, structured transactions, and market hedges) • Dynamically linked to the Power Supply Budget Workbook • Required output automatically flows into the budget workbook

Budget Projections	
SCPPA IPA – Intermountain Power Agency	• RPU incorporates budget projections prepared by SCPPA and IPA • SCPPA provides 10-year budget projections for Hoover, Palo Verde, Mead-Phoenix, Mead-Adelanto, and STS • IPA provides 10-year budget projections for IPP, and NTS

Invoices	
Southern California Edison – An Edison International® Company California ISO – Shaping a Renewed Future Ice Energy LADWP	• For line items without prepared budget projections, RPU uses the most recent fiscal year of actual invoiced costs to form a budget projection of future costs • In most cases, an inflationary growth rate of 2.0% is used in forming these budget projections

Power Supply Budget Input Sources

RPU	
WATER | ENERGY | LIFE CITY OF RIVERSIDE PUBLIC UTILITIES	• When budget projections and invoices are not available, RPU forms budget projections based on other information available and historical practices and procedures

Additional Calculation	
	• Additional calculations are often required alongside all of the previously identified input sources to arrive at the final budget projection for a particular line item • Situations when this occurs typically involve instances when multiple input sources are used in forming budget projections as well as in applying growth or inflationary rates to budget line items

- In the upcoming discussion of budget categories and line items, the Input Source pictures will be matched to their appropriate Budget Line Items

Power Supply Budget Categories: From Budget Summary

Costs	Revenues
• Transmission • Net Energy • Capacity • San Onofre Nuclear Generating Station (SONGs) • GHG Regulatory Fees • Contingency Generating Plants • Gas Burn & Net Hedge Cost/Revenue	• CO2 Allowance Auction Revenue • Transmission Revenue Requirement (TRR)

Power Supply Budget Categories: Transmission Cost Line Items

Line Item	Description	Source
Mead-Adelanto Project	Debt Service, O&M, A&G, Taxes, Capital Improvements	SCPPA
Mead-Phoenix Project	Debt Service, O&M, A&G, Taxes, Capital Improvements	SCPPA
Southern Transmission System (STS)	Debt Service, O&M, A&G	SCPPA
Northern Transmission System (NTS)	Debt Service, O&M, A&G	IPA
SCE Firm Transmission	Cost of SCE Firm Transmission based on invoices	Southern California Edison
SCE Wholesale Distribution Access Tariff	Cost of SCE WDAT based on invoices	Southern California Edison
LADWP Service Agreements	Cost of access to LADWP transmission	LADWP
CAISO Transmission Access Charge	Cost of serving load via CAISO's high voltage transmission	California ISO
CAISO Transmission Charges	Cost of CAISO invoiced transmission charges	California ISO

Power Supply Budget Categories: Net Energy Cost Line Items

Line Item	Description	Source
Total Generation Cost	Cost of energy from RPU's power resources	Ascend Analytics – Better models. Better decisions
Net Cost of Market Purchases	Cost to serve load not met with RPU's resources	
Market Contingency Reserve	Risk adder to reflect future market uncertainty	
Congestion Revenue Right Auction Cost	Cost to acquire CRRs to hedge against congestion	California ISO – Shaping a Renewed Future
CAISO Energy Charges	Cost of CAISO invoiced energy charges	

Power Supply Budget Categories: Capacity Cost Line Items

Line Item	Description	Source
Hoover	Debt Service, A&G, Fixed Operating Charges	SCPPA
Palo Verde	Debt Service, O&M, A&G, Insurance, Taxes, Renewals	SCPPA
Intermountain Power Project	Debt Service, O&M, Fixed Fuel Costs	IPA Intermountain Power Agency
Resource Adequacy	Cost to purchase added capacity to meet 115% reserve margin	City of Riverside Public Utilities
Ice Bear Installation	Cost of ICE Bear Pilot Project installations	ICE ENERGY
Ice Bear O&M	Ice Bear O&M Cost	ICE ENERGY

Power Supply Budget Categories: SONGs Cost Line Items

Line Item	Description	Source
Professional Services	Cost for consulting services related to decommissioning	City of Riverside Public Utilities
Outside Legal Services	Cost to employ attorneys for decommissioning activities	City of Riverside Public Utilities
Decommissioning Fund Expense	Interest earned on Trust Account	City of Riverside Public Utilities
O&M – Maintenance & Repair	Ongoing O&M cost at SONGs	Southern California Edison
Insurance Charges	Cost of insurance	Southern California Edison
Taxes & Assessments	Cost of taxes based on SONGs site	Southern California Edison
Decommissioning Operations	Funded from Trust Account as SONGs is currently undergoing decommissioning	Southern California Edison

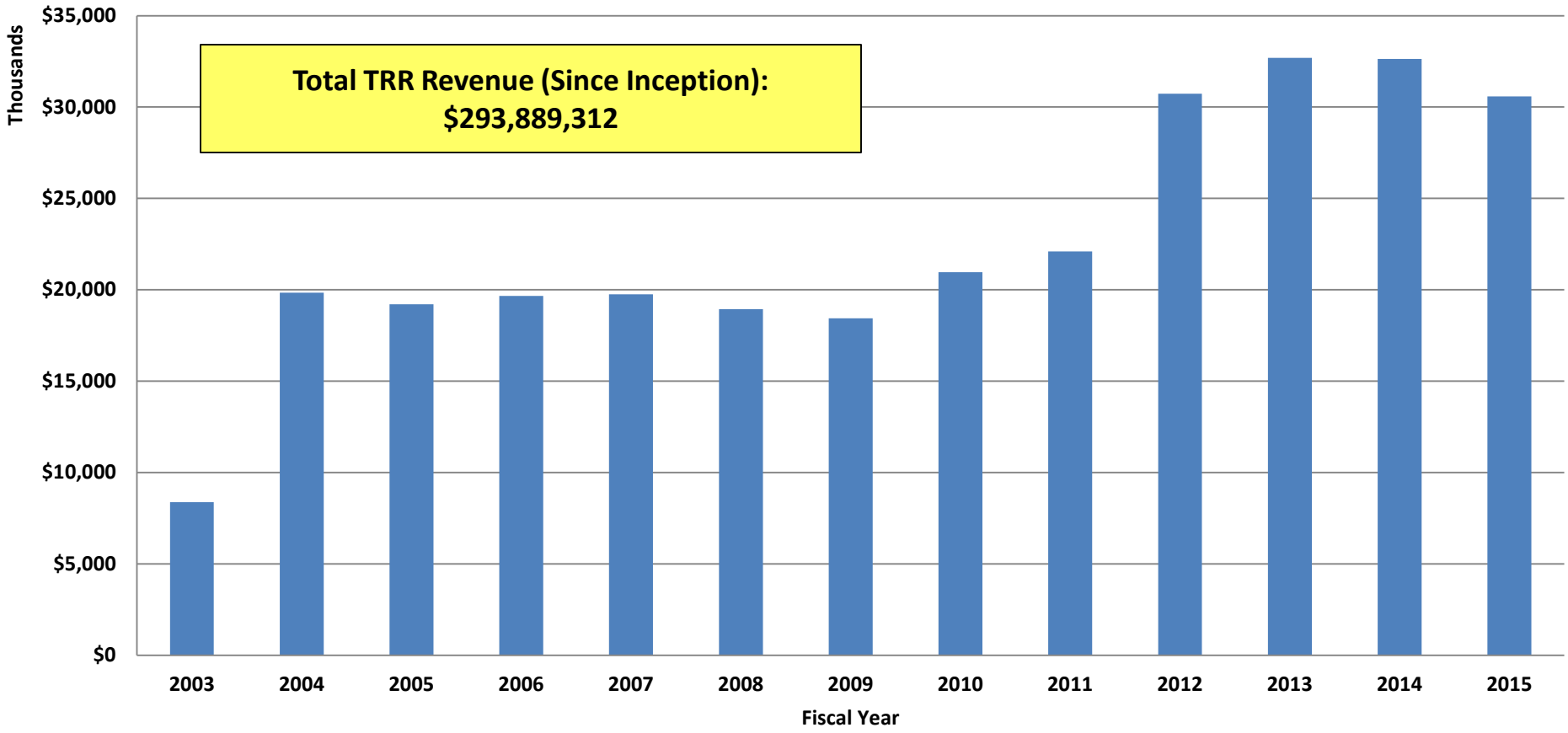
Power Supply Budget Categories: Other Cost Line Items

Line Item	Description	Source
Gas Burns & Net Hedge Cost	Cost of gas burned to run Internal Generation and Gas Hedge mark-to-market	Ascend Analytics – Better models. Better decisions
Contingency Generating Plants	Emergency fund for Internal Generation maintenance	City of Riverside Public Utilities (Water | Energy | Life)
GHG Regulatory Fees	Fees related to California's Cap-and-Trade Program	City of Riverside Public Utilities (Water | Energy | Life)

Power Supply Budget Categories: Revenue Line Items

Line Item	Description	Source
Transmission Revenue Requirement (TRR)	Compensation from the CAISO for its use of RPU's transmission entitlements, based on RPU's FERC-approved TRR filing	
CO2 Allowance Auction Revenue	Proceeds from selling CO2 Allowances in Cap-and-Trade Quarterly Auctions	

Transmission Revenue Requirement (TRR) History



Power Supply Budget Tour: Capacity Cost, Other Fixed Cost, SONGs

Power Resource Budget Projections: Primary Metrics
10 Yr Budget Report:2014-12-26 BatchId 901 - RPU Master Long Term
All Costs/Revenues in ($1000)

Ascend Study & Date

Line		FY 2014/2015	FY 2015/2016	FY 2016/2017	FY 2017/2018	FY 2018/2019	FY 2019/2020
1							
2	**Capacity Cost**						
3	Hoover	$ 815	$ 824	$ 828	$ 805	$ 809	$ 809
4	IPP Detail - Emissions	$ 36,100	$ 28,821	$ 29,572	$ 27,516	$ 32,020	$ 33,570
5	Palo Verde - MultiMonths	$ 3,345	$ 3,271	$ 3,349	$ 3,427	$ 2,846	$ 2,932
6	RA Capacity	$ 1,357	$ 781	$ 1,166	$ 1,200	$ 1,783	$ 2,183
7	Ice Bear Installation Cost	$ -	$ 1,800	$ 1,500	$ 1,500	$ 1,500	$ 400
8	Ice Bear O&M Cost	$ -	$ 49	$ 74	$ 101	$ 129	$ 132
9	**Total Capacity Cost**	**$ 41,617**	**$ 35,547**	**$ 36,488**	**$ 34,549**	**$ 39,087**	**$ 40,026**
10							
11	**Other Fixed Cost**						
12	AB-32 Implementation	$ 261	$ 250	$ 250	$ 250	$ 250	$ 250
13	Amendment 60 Settlement	$ -	$ -	$ -	$ -	$ -	$ -
14	Contingency Generating Plants	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200
15	**Total Other Fixed Cost**	**$ 2,461**	**$ 2,450**	**$ 2,450**	**$ 2,450**	**$ 2,450**	**$ 2,450**
16							
17	**SONGs Cost**						
18	Professional Services	$ 125	$ 200	$ 200	$ 200	$ 200	$ -
19	Outside Legal Services	$ 500	$ 700	$ 700	$ 700	$ 700	$ -
20	Decommissioning Operations	$ 1,500	$ -	$ -	$ -	$ -	$ -
21	O&M - Maint/Repair	$ 2,300	$ 350	$ 350	$ 350	$ 350	$ -
22	Insurance Charges - Direct	$ 195	$ 195	$ 195	$ 195	$ 195	$ -
23	Decommissioning Fund Exp	$ 3,000	$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ -
24	Taxes and Assessments	$ 600	$ 600	$ 600	$ 600	$ 600	$ -
25	Nuclear Fuel Purchases	$ -	$ -	$ -	$ -	$ -	$ -
26	Capital Costs Related to Decomm.	$ 561	$ -	$ -	$ -	$ -	$ -
27	**SONGS Extra Costs - Total**	**$ 8,781**	**$ 3,545**	**$ 3,545**	**$ 3,545**	**$ 3,545**	**$ -**

Capacity Costs

Other Fixed Costs

SONGs Costs

Power Supply Budget Tour: Transmission Cost & TRR

Line		FY 2014/2015	FY 2015/2016	FY 2016/2017	FY 2017/2018	FY 2018/2019	FY 2019/2020
28							
29	**Transmission Revenue (TRR)**	$ (31,000)	$ (32,000)	$ (32,320)	$ (32,643)	$ (32,970)	$ (33,299)
30							
31	**Transmission Cost**						
32	Mead-Adelanto	$ 3,190	$ 3,322	$ 3,309	$ 3,294	$ 3,284	$ 2,551
33	Mead-Phoenix	$ 302	$ 318	$ 318	$ 317	$ 317	$ 253
34	STS	$ 11,000	$ 12,000	$ 12,000	$ 12,000	$ 11,000	$ 12,333
35	NTS	$ 1,827	$ 1,681	$ 1,681	$ 1,681	$ 1,681	$ 1,681
36	SCE	$ 11,500	$ 13,450	$ 13,700	$ 13,900	$ 14,100	$ 14,300
37	SCE WDAT	$ 1,455	$ 1,300	$ 1,320	$ 1,340	$ 1,360	$ 1,380
38	LADWP Service Agreements	$ 1,374	$ 1,310	$ 1,330	$ 1,350	$ 1,370	$ 1,390
39	Budget Adj. c/o of Potential FERC/CAISO Settlement	$ 1,543					
40	**Subtotal**	$ 32,191	$ 33,381	$ 33,658	$ 33,882	$ 33,112	$ 33,888
41	ISO TAC Load	$ 23,986	$ 22,651	$ 24,840	$ 27,261	$ 29,265	$ 31,090
42	ISO Transmission Charges	$ 1,644	$ 1,644	$ 1,690	$ 1,720	$ 1,750	$ 1,780
43	**Subtotal**	$ 25,630	$ 24,295	$ 26,530	$ 28,981	$ 31,015	$ 32,870
44	**Total Transmission Cost**	$ 57,821	$ 57,676	$ 60,188	$ 62,863	$ 64,127	$ 66,758
45							
46	**Total Net Transmission Cost**	$ 26,821	$ 25,676	$ 27,868	$ 30,220	$ 31,157	$ 33,459

TRR

Transmission Costs

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Power Supply Budget Tour: Resource Generation (MWh)

Line		FY 2014/2015	FY 2015/2016	FY 2016/2017	FY 2017/2018	FY 2018/2019	FY 2019/2020
47							
48	**Resource Energy (MWh)**						
49	BPA-II with all Financial Returns	101,220	42,750	0	0	0	0
50	Clearwater - MultiMonths	11,884	12,377	11,992	12,170	11,470	12,339
51	Hoover	35,623	35,620	35,623	34,266	33,839	33,836
52	IPP Detail - Emissions	878,520	812,683	842,720	836,630	812,763	824,445
53	Palo Verde - MultiMonths	92,868	93,214	93,045	92,840	92,967	93,459
54	RERC	39,289	33,063	38,919	43,721	39,728	43,122
55	Salton Sea (Renewable) - MultiMonths	350,323	341,019	441,903	443,060	510,792	596,718
56	Springs	258	217	249	318	258	257
57	DVL 20MW Solar Historical Gen	29,220	29,402	55,582	55,297	54,885	54,594
58	Silverado 20MW (no sim)	0	0	22,540	44,577	44,352	44,236
59	Tequesquite Solar 7MW (no sim)	0	7,635	14,863	14,752	14,679	14,647
60	WinTec	4,666	4,666	4,667	4,666	2,131	0
61	WKN	21,535	21,534	21,538	21,536	21,538	21,535
62	Cabazon Wind	38,586	71,523	71,365	71,349	71,381	71,525
63	First Solar 14MW (no sim)	0	21,402	41,580	41,372	41,165	41,070
64	Recurrent Columbia II Solar 11MW (no sim)	40,621	33,220	32,983	32,818	32,654	32,561
65	**Total Energy Generation (MWh)**	**1,644,614**	**1,560,325**	**1,729,569**	**1,749,372**	**1,784,603**	**1,884,343**

Total Forecast Generation (MWh) by Resource

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Power Supply Budget Tour: Energy Cost

Line		FY 2014/2015	FY 2015/2016	FY 2016/2017	FY 2017/2018	FY 2018/2019	FY 2019/2020
66							
67	**Total Energy Cost (no CO2)**						
68	NETREVENUEBPAFIN - NETREVENUEBPAFIN	$ 5,471	$ 4,241	$ -	$ -	$ -	$ -
69	Clearwater - MultiMonths	$ 787	$ 484	$ 535	$ 582	$ 592	$ 659
70	Hoover	$ 399	$ 401	$ 403	$ 390	$ 387	$ 389
71	IPP Detail - Emissions	$ 19,863	$ 18,228	$ 18,894	$ 20,054	$ 20,660	$ 21,427
72	Palo Verde - MultiMonths	$ 1,156	$ 987	$ 1,015	$ 1,043	$ 1,064	$ 1,102
73	RERC	$ 2,780	$ 1,418	$ 1,943	$ 2,304	$ 2,276	$ 2,521
74	Salton Sea (Renewable) - MultiMonths	$ 24,801	$ 24,557	$ 32,293	$ 32,862	$ 38,517	$ 45,642
75	Springs	$ 25	$ 13	$ 18	$ 23	$ 21	$ 21
76	DVL 20MW Solar Historical Gen	$ 2,443	$ 2,458	$ 4,700	$ 4,746	$ 4,781	$ 4,827
77	Silverado 20MW (no sim)	$ -	$ -	$ 1,599	$ 3,176	$ 3,160	$ 3,152
78	Tequesquite Solar 7MW (no sim)	$ -	$ 621	$ 1,218	$ 1,227	$ 1,239	$ 1,255
79	WinTec	$ 263	$ 269	$ 276	$ 282	$ 130	$ -
80	WKN	$ 1,396	$ 1,430	$ 1,464	$ 1,499	$ 1,535	$ 1,572
81	Cabazon Wind	$ 2,288	$ 4,241	$ 4,232	$ 4,231	$ 4,233	$ 4,241
82	First Solar 14MW (no sim)	$ -	$ 1,471	$ 2,859	$ 2,844	$ 2,830	$ 2,824
83	Recurrent Columbia II Solar 11MW (no sim)	$ 2,843	$ 2,325	$ 2,308	$ 2,297	$ 2,285	$ 2,279
84	**Subtotal Generation Cost**	**$ 64,516**	**$ 63,145**	**$ 73,755**	**$ 77,559**	**$ 83,710**	**$ 91,910**
85	CAISO Energy Charges	$ 752	$ 3,343	$ 3,410	$ 3,478	$ 3,548	$ 3,619
86	CRR Auction Cost	$ 1,150	$ 1,500	$ 1,600	$ 1,700	$ 1,800	$ 1,900
87	**Subtotal Generation Cost**	**$ 66,418**	**$ 67,988**	**$ 78,765**	**$ 82,737**	**$ 89,058**	**$ 97,429**
88	Power - Forward Contract - Purchases	$ (60)	$ 752	$ 496	$ -	$ -	$ -
89	**Total Generation Cost**	**$ 66,358**	**$ 68,739**	**$ 79,262**	**$ 82,737**	**$ 89,058**	**$ 97,429**
90	*Note Above: Net Hedge Cost/(Revenue)						

Total Energy Cost by Resource

CAISO Energy Charges, CRR Auction Cost, & Net Power Hedge Cost

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CITY OF RIVERSIDE PUBLIC UTILITIES

Power Supply Budget Tour: CO2 Emissions, Cost, & Auction Revenue

Line		FY 2014/2015	FY 2015/2016	FY 2016/2017	FY 2017/2018	FY 2018/2019	FY 2019/2020
91							
92	**CO2 Emissions, Costs, and Revenues**						
93							
94	**CO2 Emissions (metric tons)**						
95	Clearwater - MultiMonths	6,088	6,339	6,158	6,248	5,882	6,331
96	IPP Detail - Emissions	804,702	744,398	771,910	766,332	744,471	755,171
97	RERC	20,163	16,982	19,983	22,432	20,391	22,136
98	Springs	192	162	185	237	192	191
99	BPA Import Energy	2,520	1,005	0	0	0	0
100	**Total Emissions**	**833,665**	**768,885**	**798,237**	**795,249**	**770,936**	**783,829**
101							
102	**CO2 Cost**						
103	Clearwater - MultiMonths	$ 91	$ 89	$ 93	$ 101	$ 101	$ 115
104	IPP Detail - Emissions	$ 12,071	$ 10,760	$ 11,928	$ 12,606	$ 12,992	$ 13,934
105	RERC	$ 302	$ 239	$ 302	$ 361	$ 349	$ 403
106	Springs	$ 3	$ 2	$ 3	$ 4	$ 3	$ 3
107	**Total CO2 Cost**	**$ 12,467**	**$ 11,091**	**$ 12,327**	**$ 13,072**	**$ 13,446**	**$ 14,456**
108							
109	**CO2 Allowances and Auction Revenues**						
110	CO2 Allowances (metric tons)	1,056,379	1,054,845	1,067,013	1,075,313	1,081,054	1,083,954
111	CO2 Allowances Available for Sale at Auction	222,714	285,960	268,776	280,063	310,118	300,125
112	CO2 Auction Floor Price ($/metric ton)	$ 11.46	$ 12.26	$ 13.12	$ 14.04	$ 15.02	$ 16.07
113	CO2 Auction Revenue (Calculated)	$ (2,552)	$ (3,506)	$ (3,526)	$ (3,932)	$ (4,658)	$ (4,824)
114	**CO2 Auction Revenue (Budgeted)**	**$ (4,000)**	**$ (4,154)**	**$ (4,100)**	**$ (4,100)**	**$ (4,100)**	**$ (4,100)**

Forecast CO2 Emissions by Resource

CO2 Cost by Resource

CO2 Allowances & Auction Revenue

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CITY OF RIVERSIDE PUBLIC UTILITIES

Power Supply Budget Tour: Generation Revenue from CAISO

Line		FY 2014/2015	FY 2015/2016	FY 2016/2017	FY 2017/2018	FY 2018/2019	FY 2019/2020
115							
116	**Wholesale CAISO Sales (MWh)**						
117	Total Energy Generation Sold into SP15	1,644,614	1,560,325	1,729,569	1,749,372	1,784,603	1,884,343
118							
119	**Wholesale CAISO Revenue**						
120	BPA-II with all Financial Returns	$ (4,627)	$ (2,145)	$ -	$ -	$ -	$ -
121	Clearwater - MultiMonths	$ (809)	$ (712)	$ (776)	$ (839)	$ (846)	$ (941)
122	Hoover	$ (2,033)	$ (1,820)	$ (1,964)	$ (2,011)	$ (2,054)	$ (2,139)
123	IPP Detail - Emissions	$ (40,495)	$ (33,397)	$ (37,645)	$ (39,824)	$ (40,225)	$ (42,342)
124	Palo Verde - MultiMonths	$ (3,940)	$ (3,496)	$ (3,790)	$ (4,022)	$ (4,168)	$ (4,373)
125	RERC	$ (3,102)	$ (2,234)	$ (2,977)	$ (3,531)	$ (3,436)	$ (3,793)
126	Salton Sea (Renewable) - MultiMonths	$ (14,912)	$ (12,774)	$ (18,083)	$ (19,293)	$ (22,948)	$ (28,073)
127	Springs	$ (26)	$ (19)	$ (25)	$ (33)	$ (29)	$ (30)
128	DVL 20MW Solar Historical Gen	$ (1,230)	$ (1,155)	$ (2,433)	$ (2,582)	$ (2,660)	$ (2,756)
129	Silverado 20MW (no sim)	$ -	$ -	$ (962)	$ (2,086)	$ (2,153)	$ (2,235)
130	Tequesquite Solar 7MW (no sim)	$ -	$ (301)	$ (653)	$ (690)	$ (713)	$ (741)
131	WinTec	$ (193)	$ (171)	$ (185)	$ (198)	$ (98)	$ -
132	WKN	$ (889)	$ (789)	$ (854)	$ (914)	$ (949)	$ (992)
133	Cabazon Wind	$ (1,498)	$ (2,644)	$ (2,867)	$ (3,054)	$ (3,164)	$ (3,313)
134	First Solar 14MW (no sim)	$ -	$ (829)	$ (1,811)	$ (1,924)	$ (1,986)	$ (2,067)
135	Recurrent Columbia II Solar 11MW (no sim)	$ (1,688)	$ (1,334)	$ (1,432)	$ (1,519)	$ (1,569)	$ (1,630)
136	**Total Generation Revenue**	**$ (75,444)**	**$ (63,819)**	**$ (76,455)**	**$ (82,521)**	**$ (86,997)**	**$ (95,423)**

Total Generation (MWh)

Generation Revenue by Resource

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CITY OF RIVERSIDE PUBLIC UTILITIES

Power Supply Budget Tour: Gross Load, Net CAISO Purchases, & Fuel

Line		FY 2014/2015	FY 2015/2016	FY 2016/2017	FY 2017/2018	FY 2018/2019	FY 2019/2020
137							
138	**Gross Load (includes internal gen.) in MWh**						
139	GENERATIONLOAD - Load @ Generation	2,329,483	2,372,618	2,400,287	2,434,984	2,471,333	2,514,472
140	TOTALLOADCOSTS - Total Load Cost	$ 102,889	$ 92,534	$ 101,552	$ 109,557	$ 115,410	$ 122,463
141							
142	**Net CAISO Energy Position**						
143	Net Market Purchases or (Sales) in MWh	684,869	812,292	670,718	685,612	686,731	630,129
144	Net Cost of Market Purchases or (Sales)	$27,445	$28,715	$25,097	$27,036	$28,413	$27,040
145	Market Contingency Reserve	$0	$4,266	$4,574	$4,837	$4,731	$4,005
146							
147	**Gas Burn (MMBtu)**						
148	Clearwater - MultiMonths	160,315	119,225	115,834	117,521	110,640	119,077
149	RERC	530,942	319,424	375,868	421,937	383,539	416,372
150	Springs	5,049	3,039	3,480	4,450	3,616	3,599
151	**Total Burn**	**696,306**	**441,688**	**495,182**	**543,908**	**497,796**	**539,048**
152							
153	**Fuel Cost**						
154	Clearwater - MultiMonths	$ 757	$ 453	$ 505	$ 551	$ 563	$ 628
155	RERC	$ 2,564	$ 1,236	$ 1,729	$ 2,063	$ 2,057	$ 2,284
156	Springs	$ 24	$ 12	$ 17	$ 22	$ 20	$ 20
157	Gas - Forward Contract - Purchases	$ 499	$ 1,690	$ 291	$ -	$ -	$ -
158	**Subtotal**	**$ 3,844**	**$ 3,391**	**$ 2,542**	**$ 2,636**	**$ 2,640**	**$ 2,932**
159	VOMCosts - VOM Costs	$ 247	$ 214	$ 245	$ 272	$ 248	$ 269
160	**Total Fuel Cost**	**$ 4,091**	**$ 3,604**	**$ 2,787**	**$ 2,909**	**$ 2,889**	**$ 3,201**
161	*Note Above: Net Hedge Cost/(Revenue)						
162							

Gross Load (MWh) & Cost

Net CAISO Purchases & Market Contingency Reserve

Internal Generation Fuel Burn, Fuel Cost, & VOM Cost

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CITY OF RIVERSIDE PUBLIC UTILITIES

Power Supply Budget Tour: Summary

Line		FY 2014/2015	FY 2015/2016	FY 2016/2017	FY 2017/2018	FY 2018/2019	FY 2019/2020
163	Summary						
164	Gross Costs	$ 204,983	$ 202,628	$ 211,896	$ 218,017	$ 231,411	$ 237,708
165	Gross Revenue	$ (35,000)	$ (36,154)	$ (36,420)	$ (36,743)	$ (37,070)	$ (37,399)
166	Net Costs	$ 169,983	$ 166,474	$ 175,476	$ 181,274	$ 194,341	$ 200,309
167							
168	Summary						
169	Transmission	$ 57,821	$ 57,676	$ 60,188	$ 62,863	$ 64,127	$ 66,758
170	Energy	$ 90,459	$ 100,020	$ 106,682	$ 111,974	$ 119,562	$ 125,542
171	Capacity	$ 41,617	$ 35,547	$ 36,488	$ 34,549	$ 39,087	$ 40,026
172	SONGS	$ 8,781	$ 3,545	$ 3,545	$ 3,545	$ 3,545	$ -
173	GHG Regulatory Fees	$ 261	$ 250	$ 250	$ 250	$ 250	$ 250
174	Amendment 60 Settlement	$ -	$ -	$ -	$ -	$ -	$ -
175	Contingency Generating Plants	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200
176	Gas Burns + Net Hedge Cost or (Revenue)	$ 3,844	$ 3,391	$ 2,542	$ 2,636	$ 2,640	$ 2,932
177	SUBTOTAL COST	$ 204,983	$ 202,628	$ 211,896	$ 218,017	$ 231,411	$ 237,708
178	CO2 Allowance Auction Revenue	$ (4,000)	$ (4,154)	$ (4,100)	$ (4,100)	$ (4,100)	$ (4,100)
179	TRR Revenue	$ (31,000)	$ (32,000)	$ (32,320)	$ (32,643)	$ (32,970)	$ (33,299)
180	SUBTOTAL REVENUE	$ (35,000)	$ (36,154)	$ (36,420)	$ (36,743)	$ (37,070)	$ (37,399)
181							
182	TOTAL	$ 169,983	$ 166,474	$ 175,476	$ 181,274	$ 194,341	$ 200,309
183							
184	Summary (Cost/Gross Load)						
185	Adjusted Transmission	$ 11.51	$ 10.82	$ 11.61	$ 12.41	$ 12.61	$ 13.31
186	Energy	$ 38.83	$ 42.16	$ 44.45	$ 45.99	$ 48.38	$ 49.93
187	Capacity	$ 17.87	$ 14.98	$ 15.20	$ 14.19	$ 15.82	$ 15.92
188	SONGs	$ 3.77	$ 1.49	$ 1.48	$ 1.46	$ 1.43	$ -
189	Total (all categories)	$ 72.97	$ 70.16	$ 73.11	$ 74.45	$ 78.64	$ 79.66

Gross Costs & Revenues

Costs by Budget Category

Revenues by Budget Category

Total Budget

Select Categories Normalized to Load

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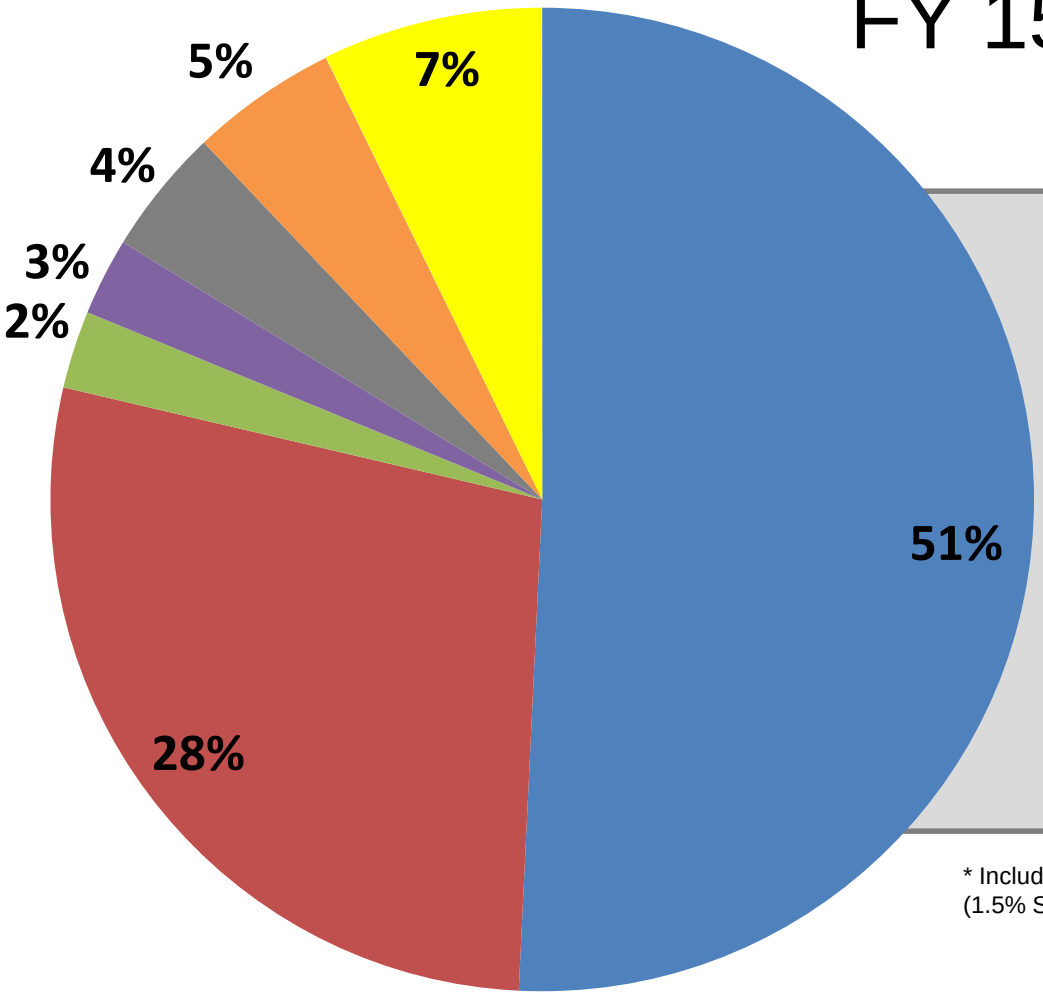
CITY OF RIVERSIDE

PUBLIC UTILITIES

Water Utility Budget

Water Utility
FY 15/16 Revenue Budget



Residential	$ 35.1 M
Commercial/Industrial	19.3 M
Other Retail Sales	1.8 M
Total Water Retail Revenues	**$ 56.2 M**
Other Operating Revenues	1.7 M
Water Conveyance	2.9 M
GFT Settlement	3.3 M
All Other Revenues *	5.1 M
Total Water Revenues	**$ 69.2 M**

* Includes $850K Water Conservation Revenues – restricted funds (1.5% Surcharge)

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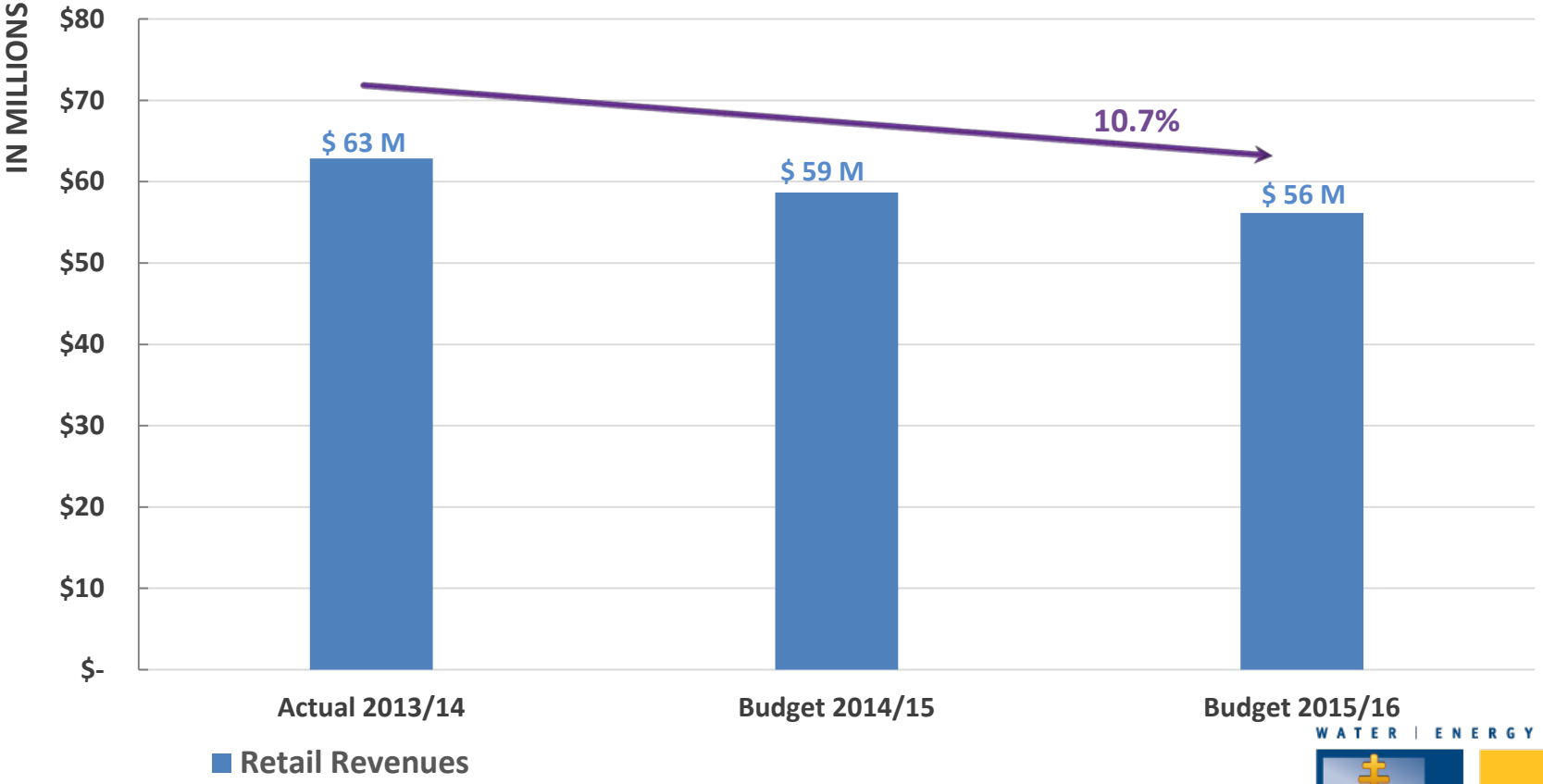
CITY OF RIVERSIDE
PUBLIC UTILITIES

Water Utility – Retail Revenues



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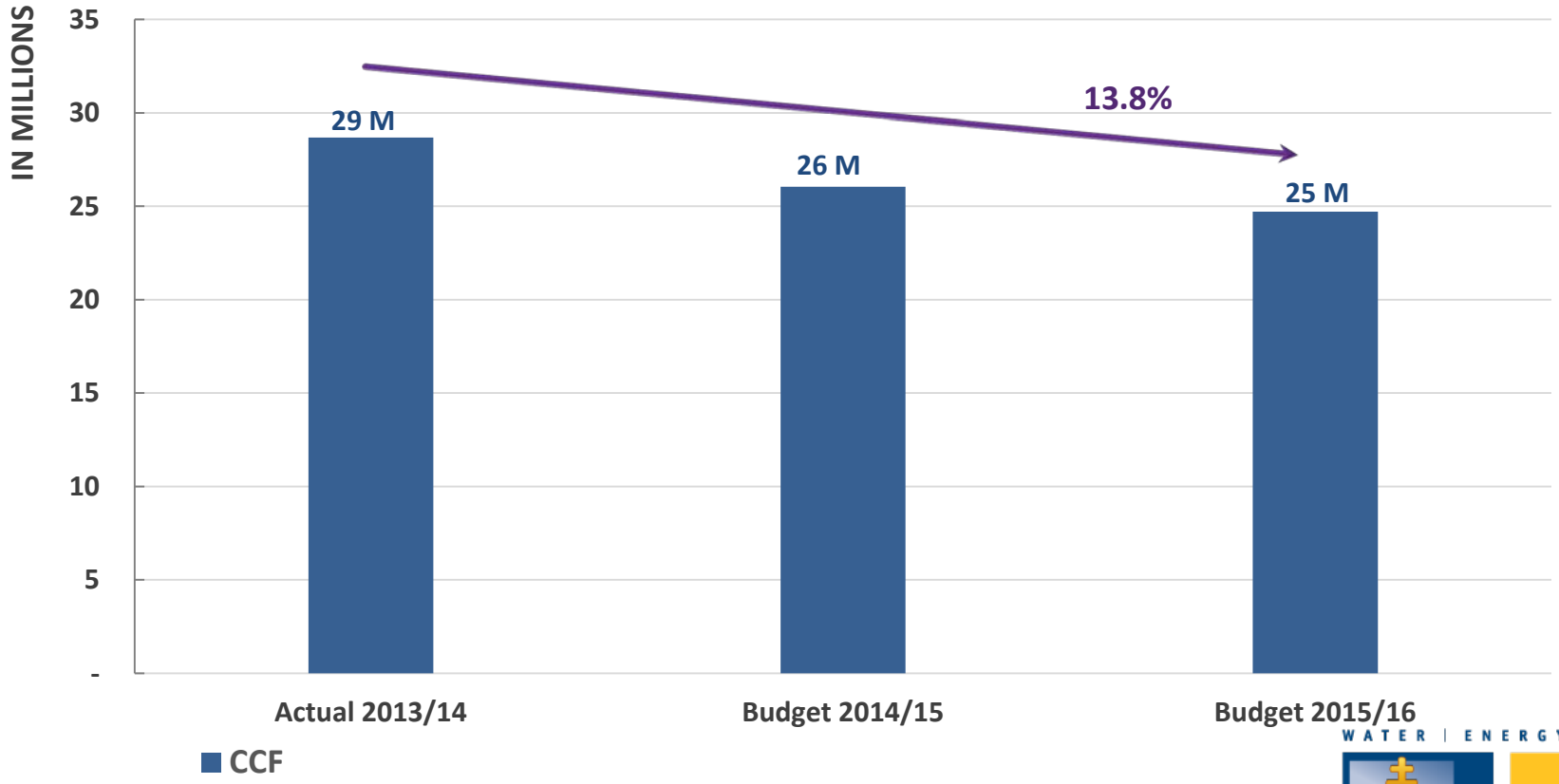
PUBLIC UTILITIES

Water Utility – CCF Sales



Water – Other Revenues

Approx. 19% of all Water revenues

- Water Conveyance Revenue
- Settlement Reimbursements
- Investment Income
- Contributions in Aid of Construction
- GFT Settlement (FY 14 to 16 - $3.3M/yr)**
- Water Conservation Programs*

*restricted funds

**internally restricted funds

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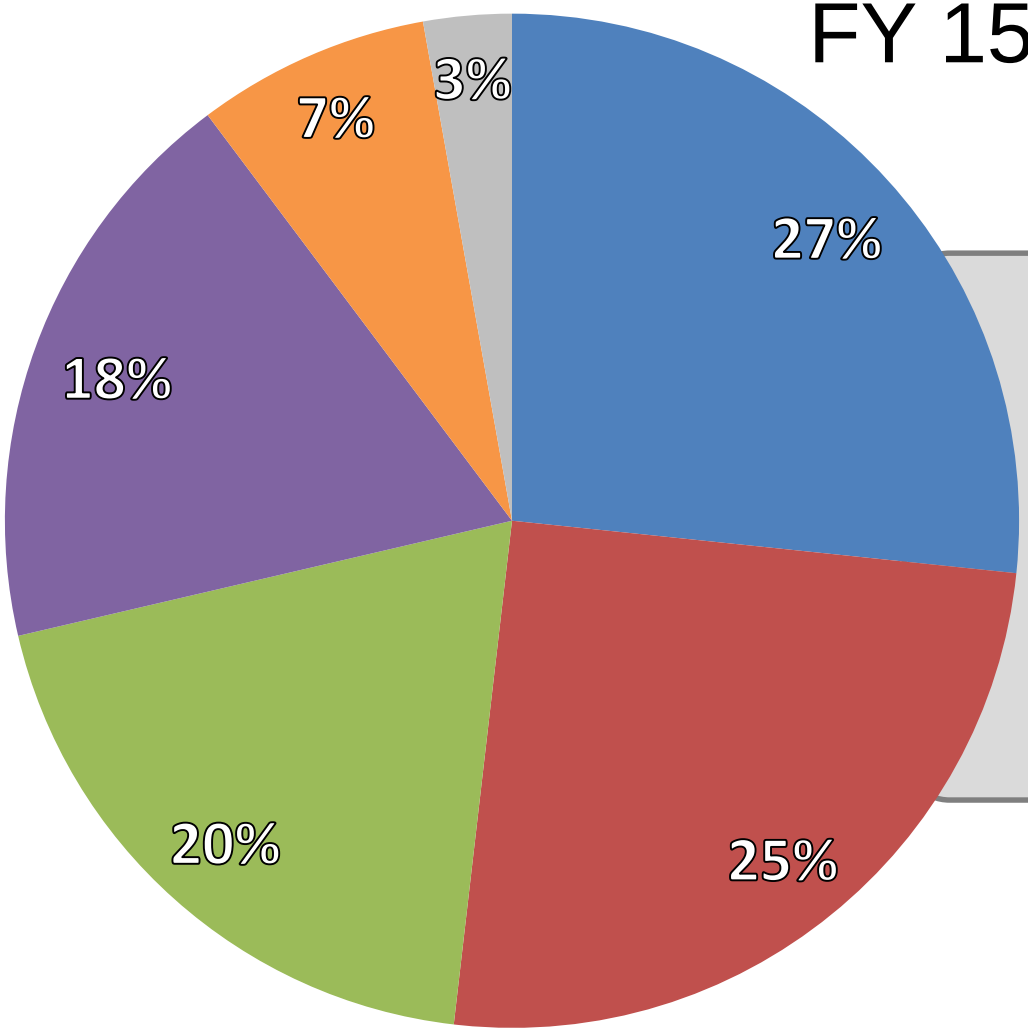
CITY OF RIVERSIDE PUBLIC UTILITIES

Water Utility
FY 15/16 Operating Budget



O & M	$ 23.3 M
Personnel Services	22.0 M
Debt Service	17.1 M
Capital Improvements	16.1 M
General Fund Transfer	6.5 M
Total Budget (less Water Cons.)	**$ 85.0 M**
Water Conservation	$ 2.5 M

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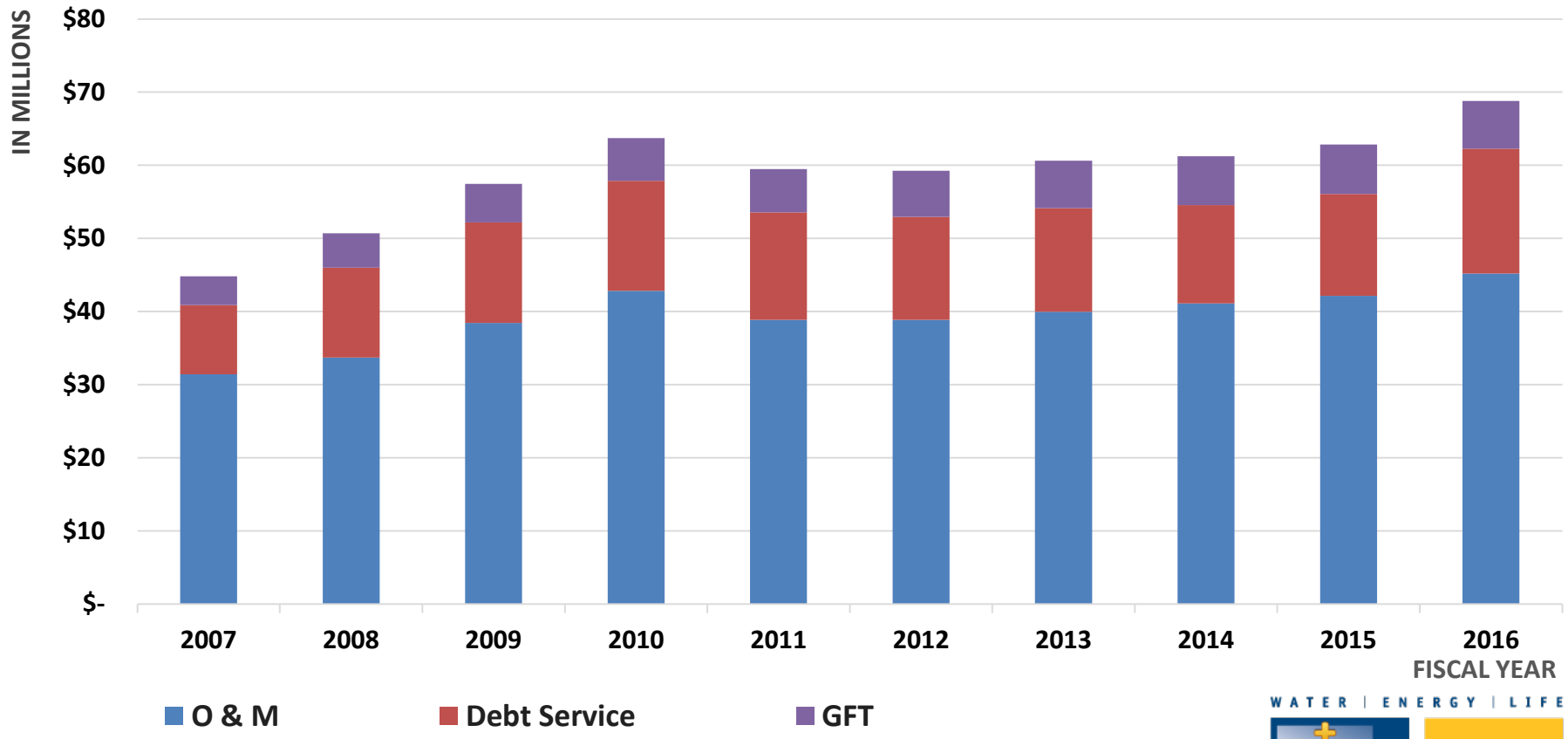
CITY OF RIVERSIDE PUBLIC UTILITIES

Water – Operating Budget Trend



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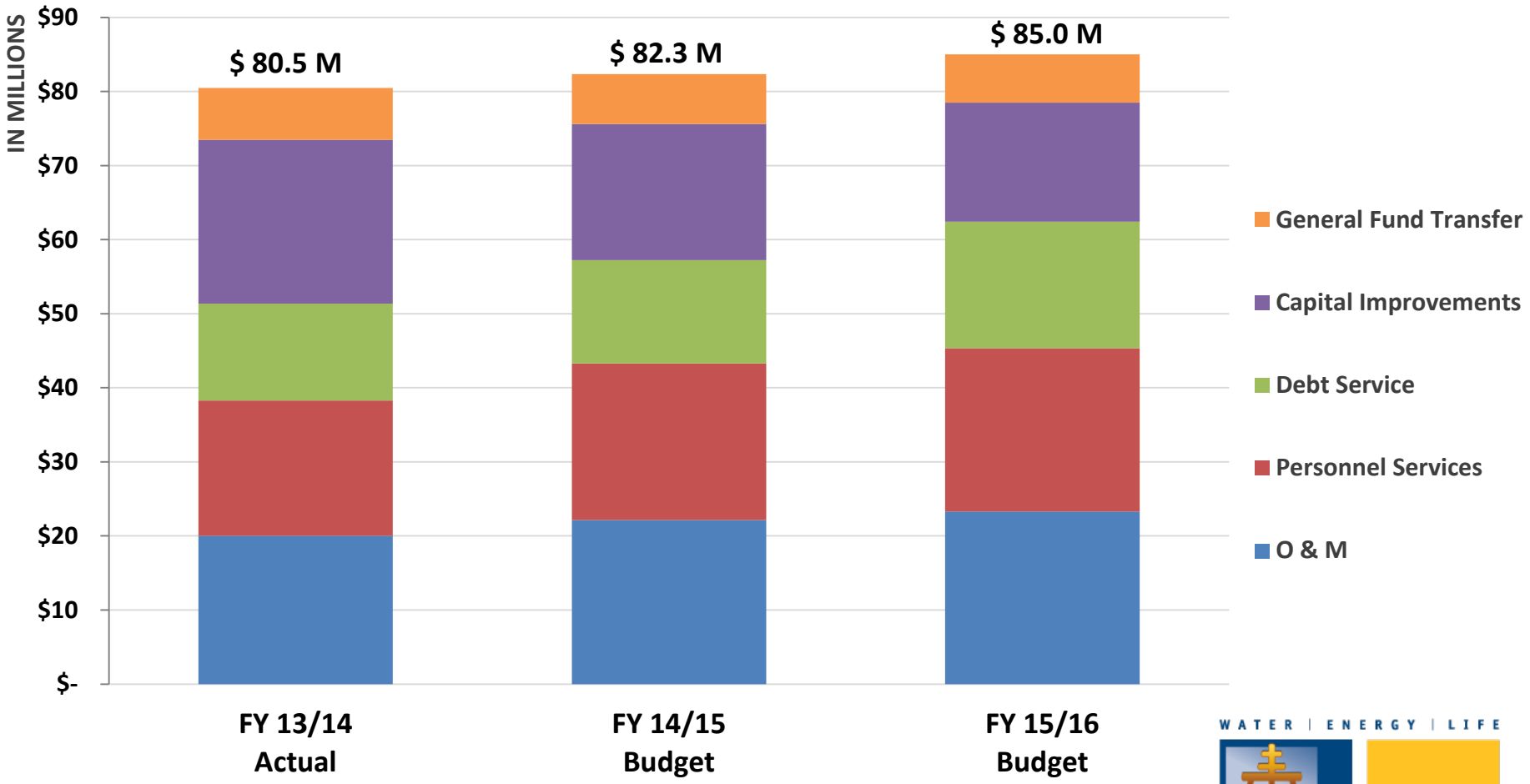
CITY OF RIVERSIDE PUBLIC UTILITIES

Water Fund Summary



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CITY OF RIVERSIDE PUBLIC UTILITIES

Other Budget Items

Calculation of General Fund Transfer Prelim FY 15-16

	ELECTRIC	WATER	TOTAL
Gross Operating Revenue	$342,003,020	$56,554,383	$398,557,403
General Fund Transfer Rate	x 11.5%	x 11.5%	
General Fund Transfer FY 2015-16	$39,330,300	$6,503,800	$45,834,100
GFT FY 2014-15	$38,178,400	$7,098,400	$45,276,800
Projected increase (decrease)	$ 1,151,900	$ (594,600)	$ 557,300

FY 15/16 GFT represents 18% of City's General Fund budget

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CITY OF RIVERSIDE PUBLIC UTILITIES

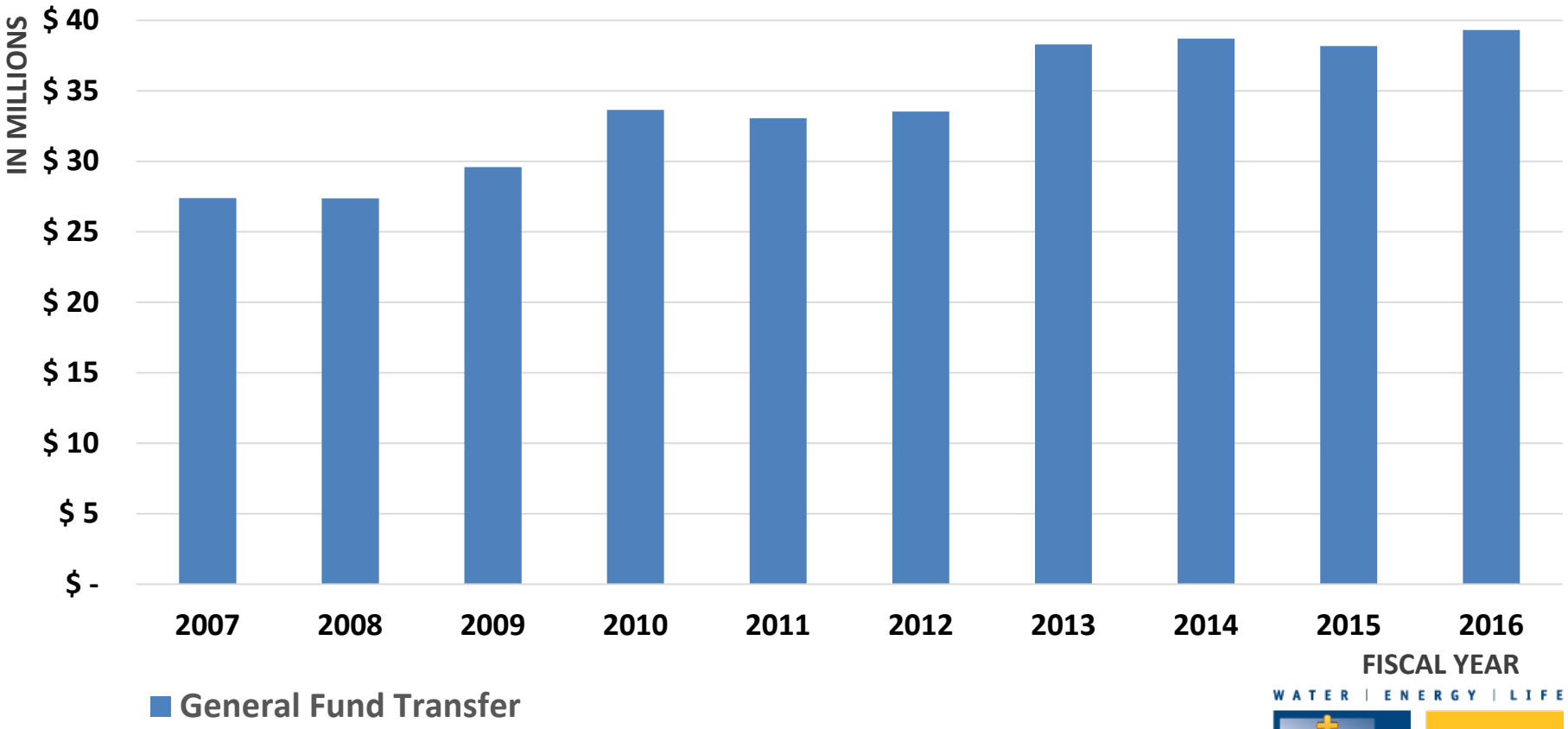
What is included in gross operating revenue?

- All Retail Sales, net of bad debt
- Other operating Revenues:
  - Service Connect Fees
  - Misc. Service Revenues
  - Transmission Revenue Requirement
  - Other Operating Revenues

What is not included in gross operating revenue?

- Revenue from surcharge outside the City and Public Benefit and Water Conservation Programs
- Non-operating revenues:
  - Cap and Trade Auction Revenue
  - Interest Income
  - Sale of land/equipment
  - Land/Building rental revenue
  - Contributions in aid of construction
  - Water Conveyance Revenue

Electric – General Fund Transfer Trend



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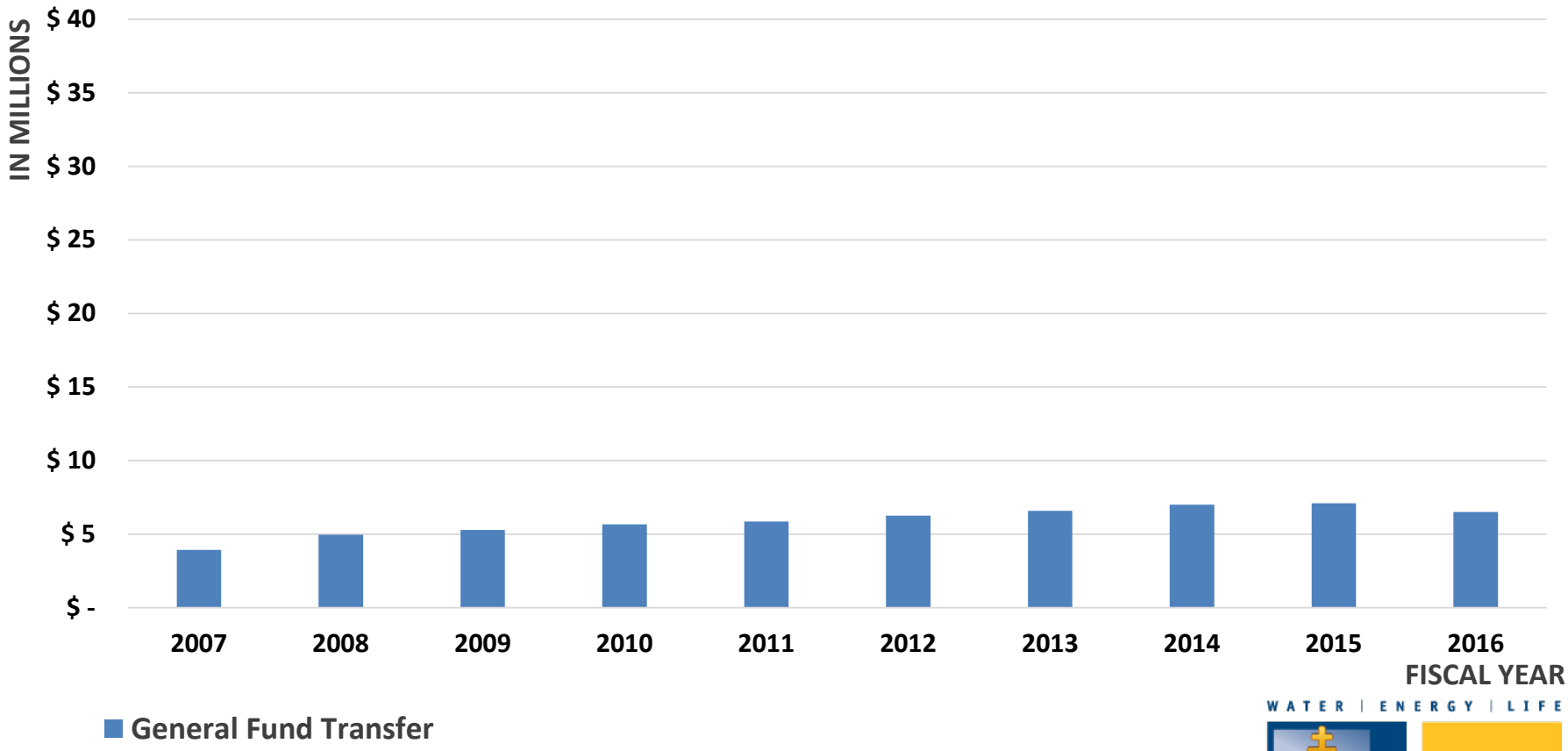
CITY OF RIVERSIDE PUBLIC UTILITIES

Water – General Fund Transfer Trend



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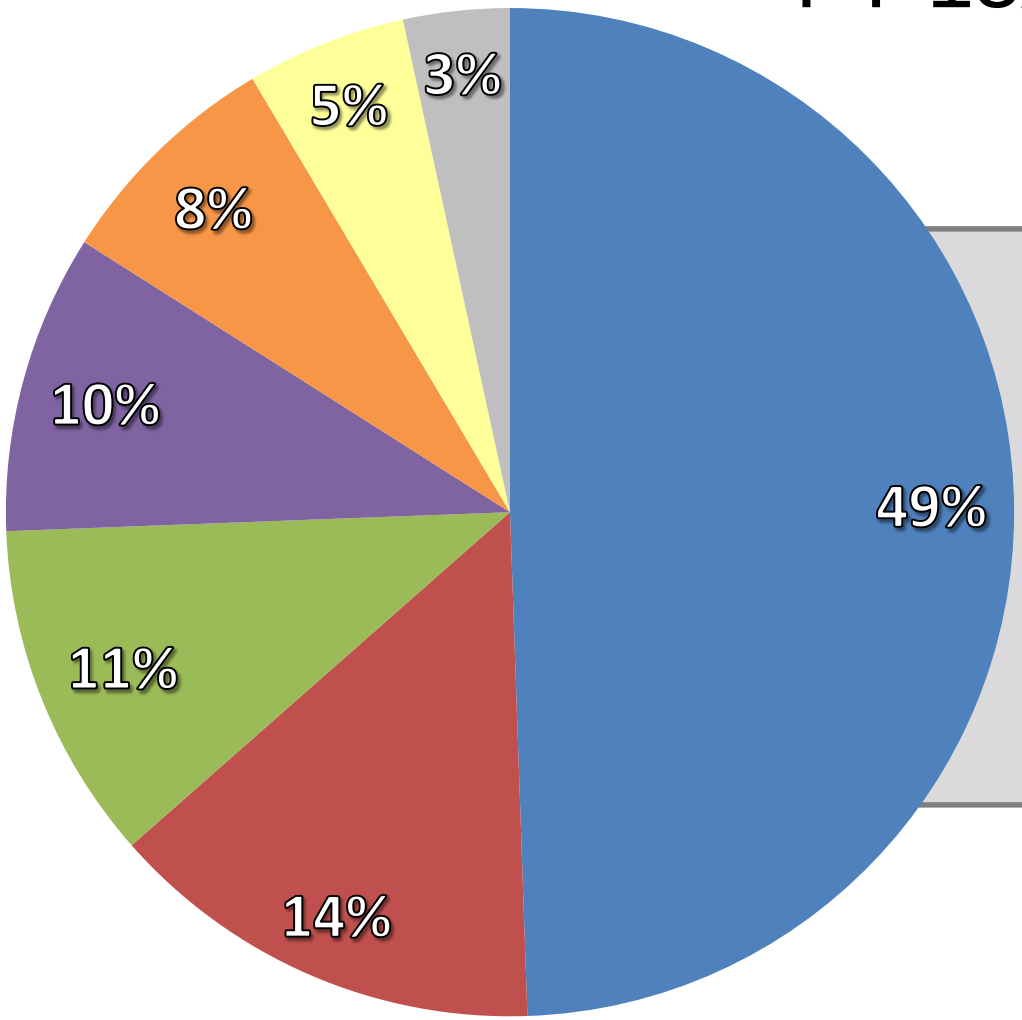
CITY OF RIVERSIDE PUBLIC UTILITIES

Electric and Water Budget Affordability Analysis

Electric Utility
FY 15/16 Operating Budget



Power Supply	$ 202.6 M
Personnel Services	57.6 M
Debt Services	44.7 M
General Fund Transfer	39.3 M
Capital Improvements	30.6 M
O & M	21.0 M
Total Budget (less Public Benefits)	**$ 395.8 M**
Public Benefits	$ 14.0 M

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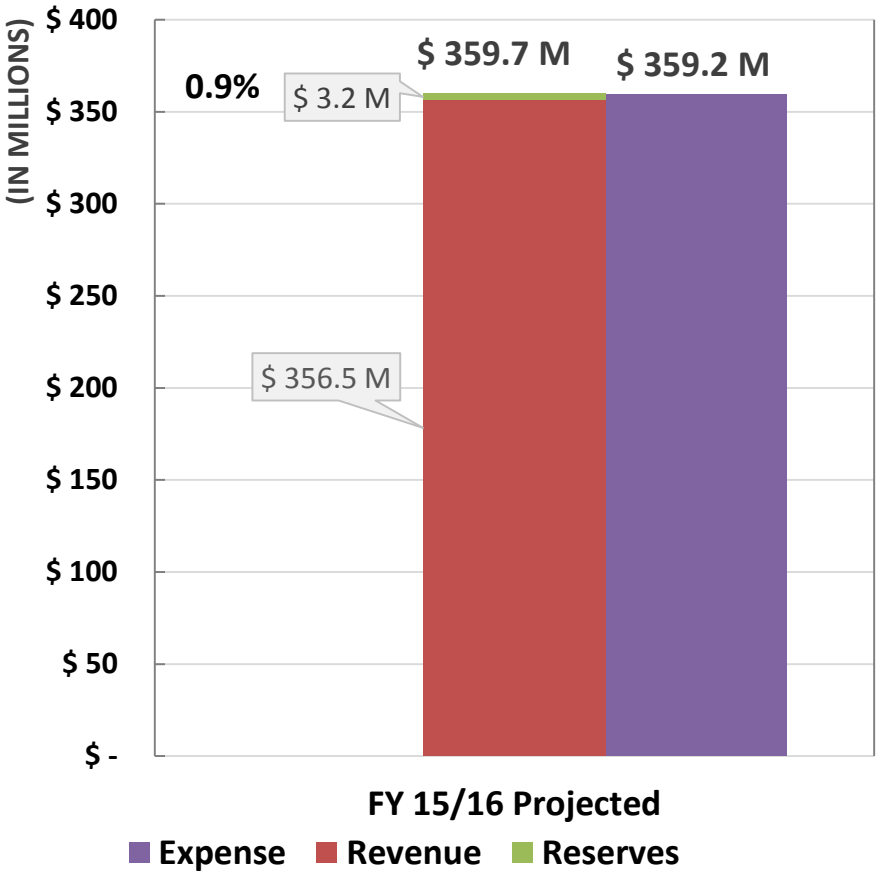
CITY OF RIVERSIDE PUBLIC UTILITIES

Electric Utility –
FY 15/16 Affordability Analysis



	FY 15/16
Total Electric Revenue Budget	$ 371,270,043
Less: CIA, Gain/Loss, Grants, Public Benefit	(11,025,800)
Projected Revenues	360,244,243
Rate Funded CIP	(3,782,000)
Net Revenues Available	356,462,243
Use of reserve for SONGS Closure costs	900,000
Use of reserve for prepay. of future energy costs	2,305,931
Total use of Operating Reserves	3,205,931
Total Revenues and Reserves	**359,668,174**
Total Electric Operating Budget	395,801,511
Less: Capital Improvements	(30,612,000)
Expenditure w/o Capital Outlay	365,189,511
Estimated Personnel Vacancy (6%)	(3,456,637)
Non Cash Items in budget	(374,000)
Remove Contingency Generating Plants	(2,200,000)
Projected Expenses	**359,158,874**
Net Budget Excess (Shortfall)	**$ 509,300**

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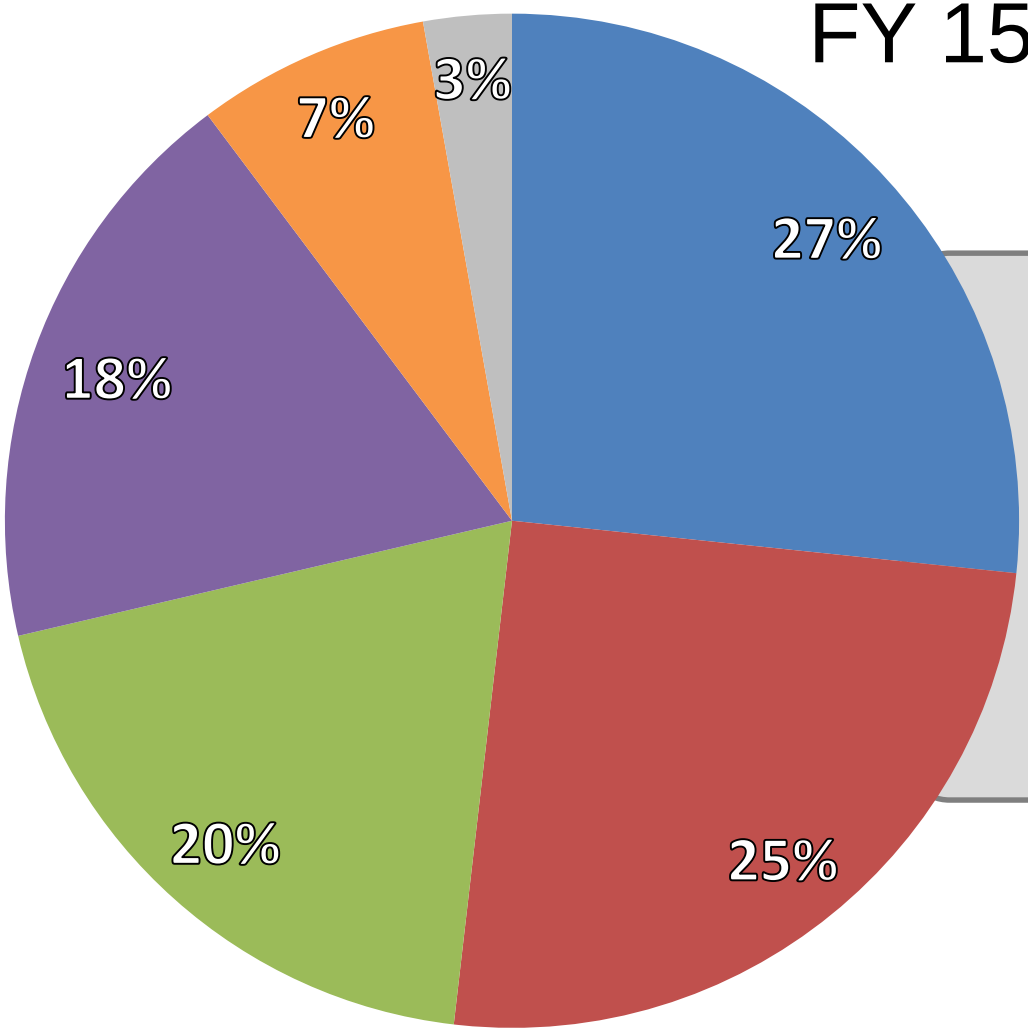
CITY OF RIVERSIDE
PUBLIC UTILITIES

Water Utility
FY 15/16 Operating Budget



O & M	$ 23.3 M
Personnel Services	22.0 M
Debt Service	17.1 M
Capital Improvements	16.1 M
General Fund Transfer	6.5 M
Total Budget (less Water Cons.)	**$ 85.0 M**
Water Conservation	$ 2.5 M

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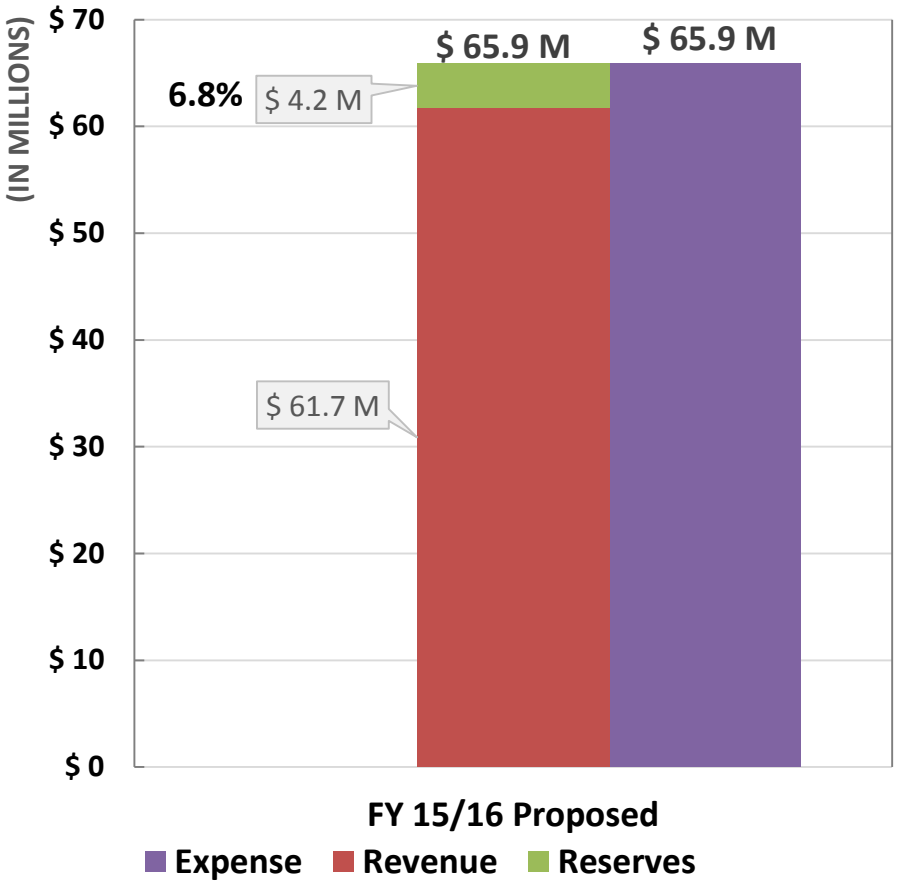
CITY OF RIVERSIDE PUBLIC UTILITIES

Water Utility –
FY 15/16 Affordability Analysis



	FY 15/16
Total Water Revenue Budget	$ 69,151,007
Less: CIA, Gain/Loss, Grants, Water Conservation	(1,421,633)
Projected Revenues	67,729,374
GFT settlement reserved for Recycled Water Projects	(3,333,000)
Rental Income Hillwood (Non cash)	(1,040,618)
Rate Funded CIP	(1,617,000)
Net Revenues Available	61,738,756
Use of Operating Reserve for operations	4,150,166
Total Revenues and Reserves	**65,888,922**
Total Water Operating Budget	85,012,056
Less: Capital Improvements	(16,095,000)
Expenditure w/o Capital Outlay	68,917,056
Estimated Personnel Vacancy (9.5%)	(2,092,516)
Non Cash Items in budget	105,000
Non cash items related to Hillwood	(1,040,618)
Projected Expenses	**65,888,922**
Net Budget	**$ -**

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CITY OF RIVERSIDE
PUBLIC UTILITIES

Public Benefit Charge

&

Water Conservation Surcharge Programs

Public Benefit Charge (PBC) Overview

Public Benefit Charge – AB 1890 (2006)

Mandated State Charge

2.85% min. Charge on all Electrical Sales

Electrical Program Areas:

- Energy Efficiency
- Research Design & Development (RD&D)
- Low Income Assistance
- Renewable Energy

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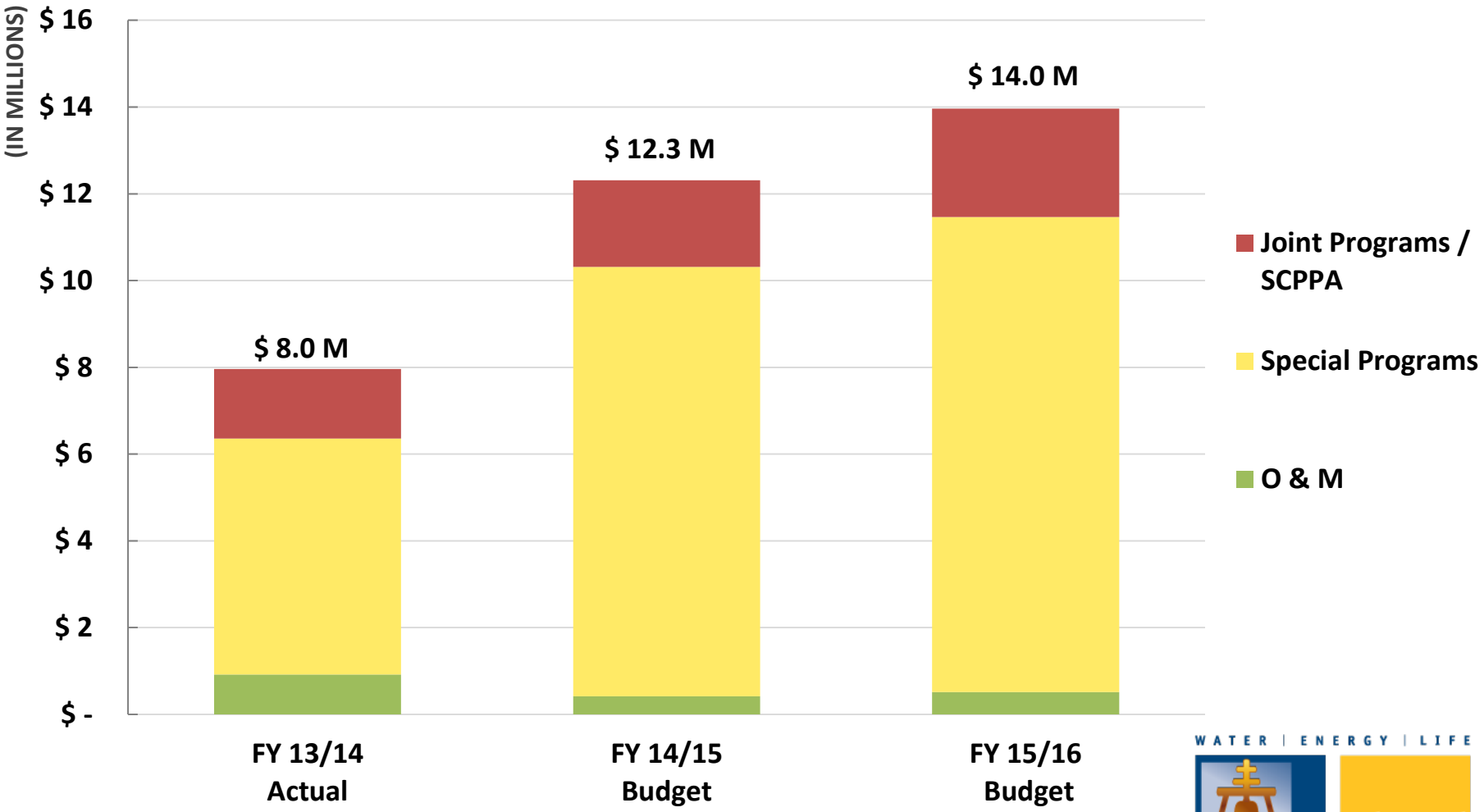
CITY OF RIVERSIDE PUBLIC UTILITIES

Public Benefit Programs Budget



Public Benefit Programs Fund Balance

Fund Balance at 6/30/2014	**$**	**9,731,710**
Projected FY 14/15 Revenue		8,706,000
Less: Projected FY 14/15 Expenditures		(12,314,387)
Projected Fund Balance at 6/30/2015	**$**	**6,123,323**
Projected FY 15/16 Revenue		8,972,800
Less: Projected FY 15/16 Expenditures		(13,966,551)
Projected Fund Balance at 6/30/2016	**$**	**1,129,572**

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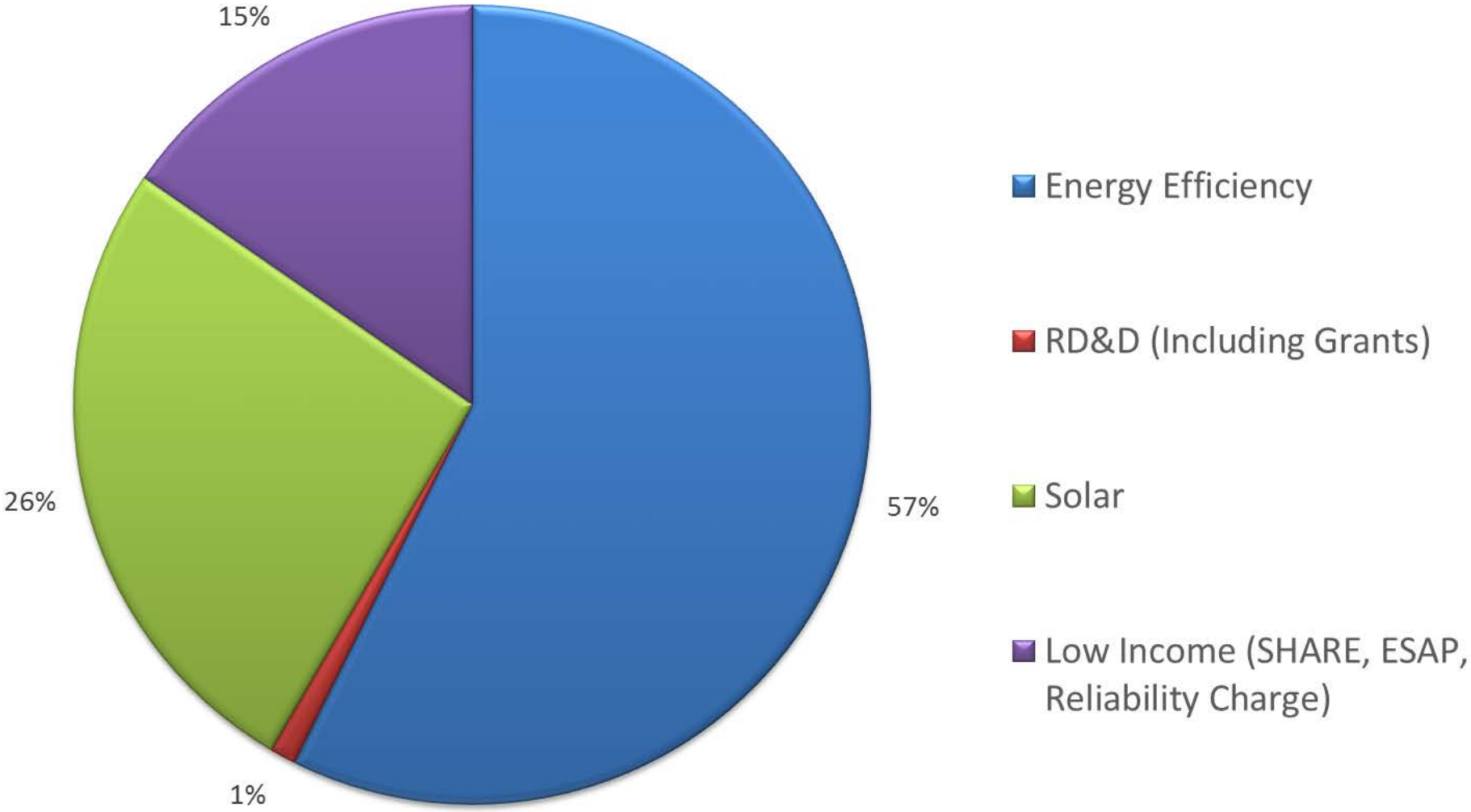
CITY OF RIVERSIDE PUBLIC UTILITIES

PBC Fund Disbursement FY14/15

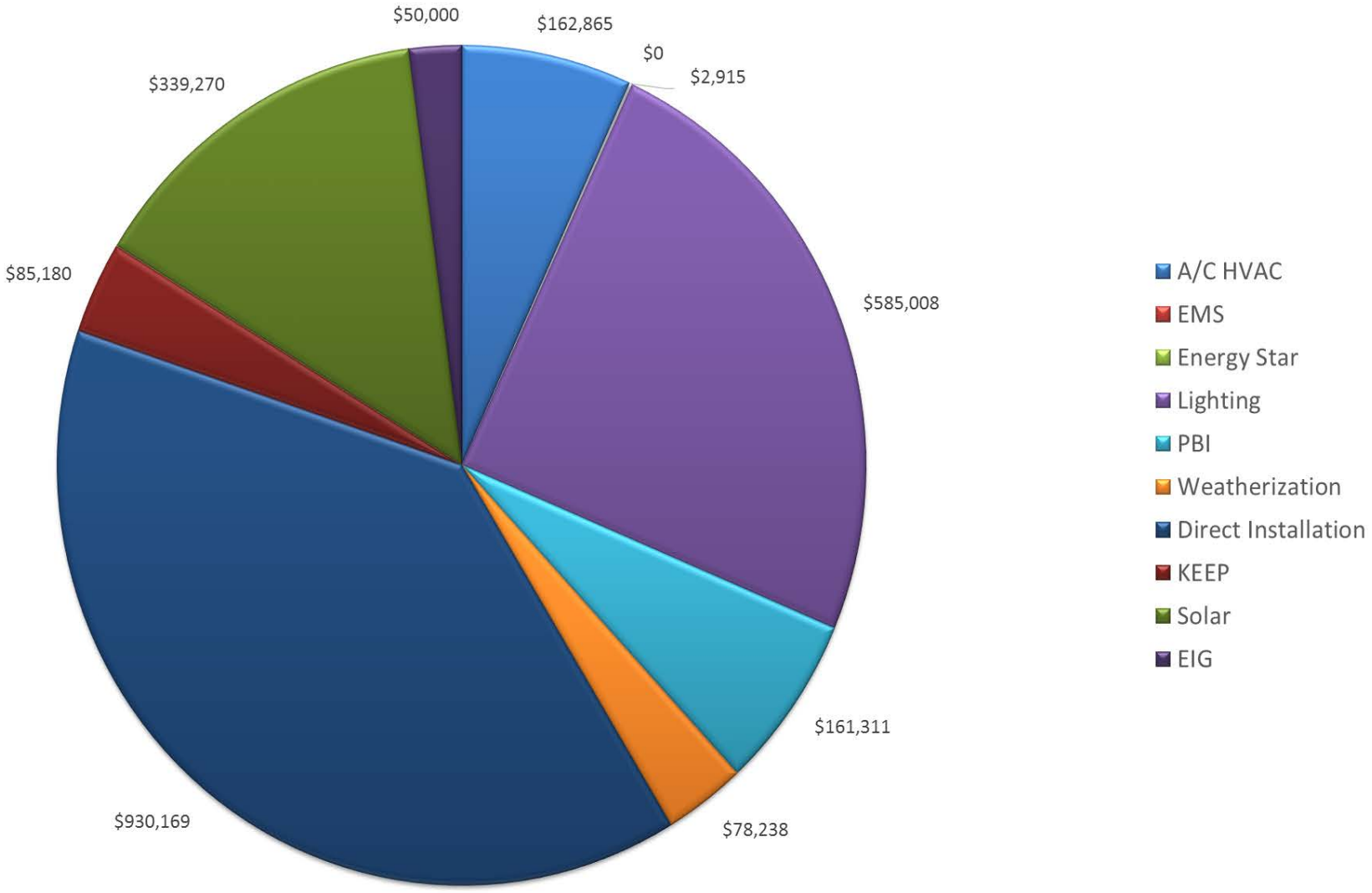


PBC – Commercial Programs

- Heating, Ventilation, & Air Conditioning (HVAC)
- Energy Star
- Lighting Incentives
- Energy Management Systems (EMS)
- Premium Motor Incentives
- Tree Power
- Small Business Direct Installation*
- Keep Your Cool Program*
- Photovoltaic System
- Weatherization
- Thermal Energy Storage
- Performance Based Incentives (PBI)
- Custom Energy Technology Grants
- Key Account Energy Efficiency Programs (KEEP)*
- Energy Innovation Grant (EIG)

*SCPPA Contract

PBC Funded Commercial Programs FY 14/15

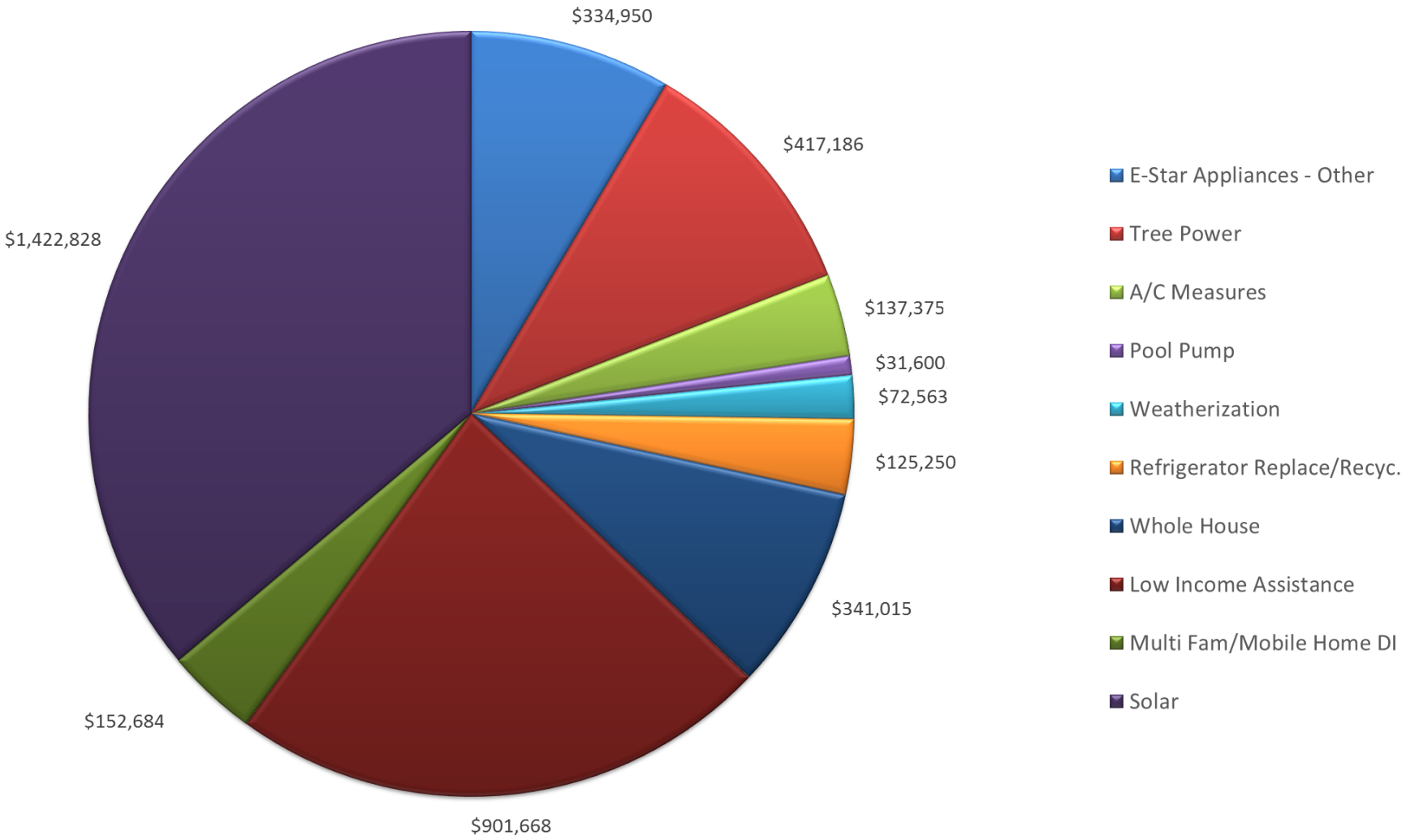


PBC – Residential Programs

- Energy Star Appliances
- HVAC
- Thermostats
- Tree Power
- Pool & Spa Pumps
- Multi-Family/Mobile Home Direct Installation*
- Low Income Assistance
- Weatherization
- Appliance Recycling*
- Whole House Rebate Program
- Photovoltaic Systems

*SCPPA Contract

PBC Funded Residential Programs
FY 14/15



PBC FY 14/15 AB 1890 Results

1% kWh Savings Goal for FY 14/15			
	Target	**Savings**	**% of Goal**
YTD	19,099,000	19,285,300	101%

Water Conservation Surcharge Overview

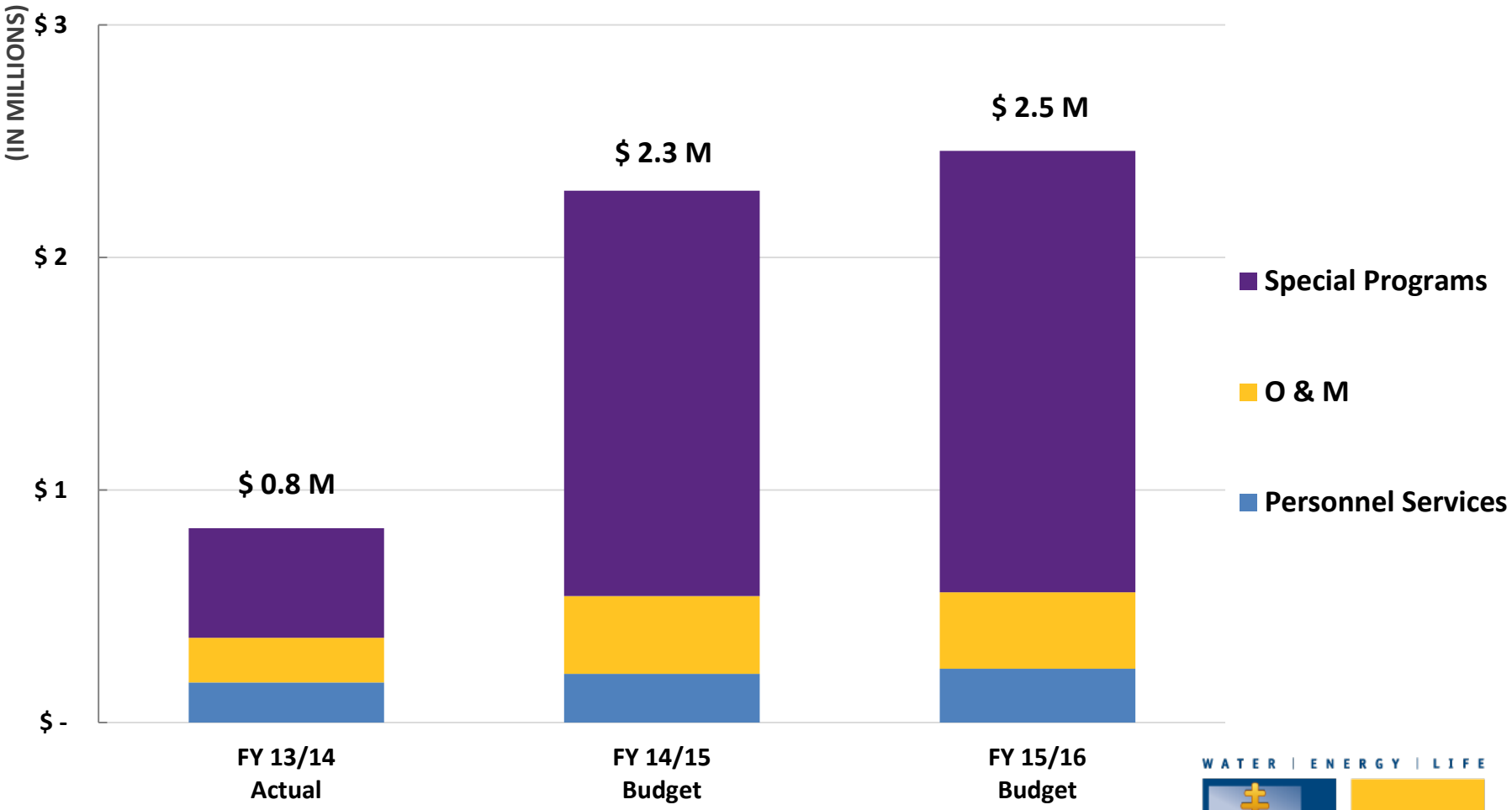
Water Conservation Surcharge:

Passed by City Council – 2004

- 1.5% min. Charge on all Water Sales
- Fund Water Conservation Programs

Renewed by City Council 2014

Water Conservation Surcharge Budget



Water Conservation Surcharge Fund Balance

Fund Balance at 6/30/2014	**$**	**2,498,495**
Projected FY 14/15 Revenue		895,000
Add: City Council approved funding from WMWD		4,700,000
Add: Transfer in from the Water Fund (City Council approved)		1,000,000
Less: Projected FY 14/15 Expenditures Budgeted		(2,287,506)
Less: FY 14/15 Additional Appropriations for Water Turf Programs		(4,700,000)
Projected Fund Balance at 6/30/2015	**$**	**2,105,989**
Projected FY 15/16 Revenue		850,300
Less: Projected FY 15/16 Expenditures		(2,457,718)
Projected Fund Balance at 6/30/2016	**$**	**498,571**

WATER | ENERGY | LIFE

CITY OF RIVERSIDE PUBLIC UTILITIES

Water Conservation Surcharge

Residential Programs

- Waterwise Landscape
- Weather Based Irrigation Controllers (WBIC)
- High Efficiency Sprinkler Nozzles
- High Efficiency Toilets (HET)
- High Efficiency Clothes Washer (HECW)
- FreeSprinklerNozzles.com
- Smart Irrigation Program*
- Landscape Audits
- Community Education

Commercial Programs

- Waterwise Landscape
- Landscape Technical Assistance
- HE Toilet Retrofit*
- Smart Irrigation Program (SIP)*
- Water Management Technical Assistance
- MWD Funded Regional Programs

* Direct Installation (DI)

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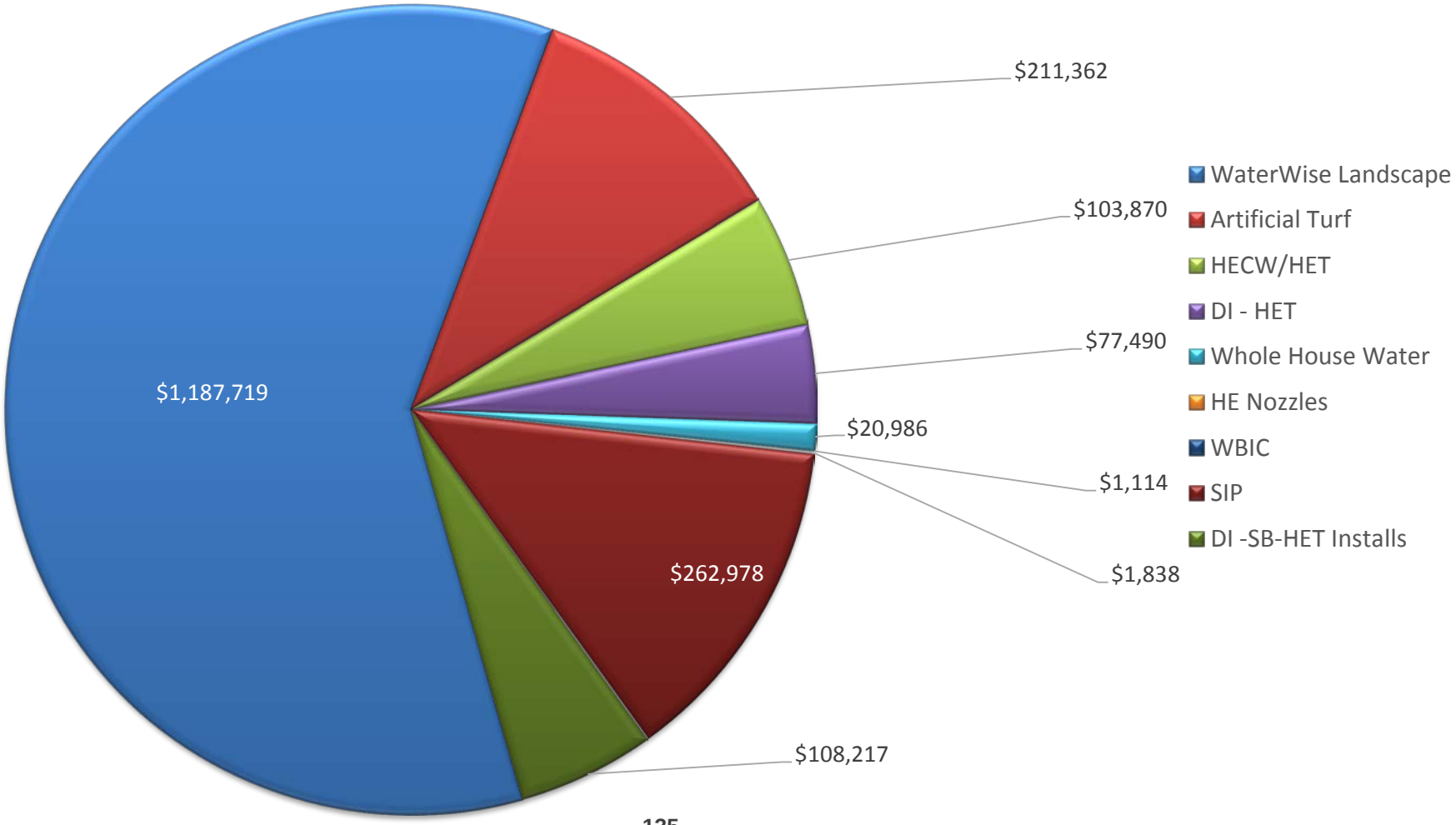
CITY OF RIVERSIDE
PUBLIC UTILITIES

Residential Water Programs FY 14/15

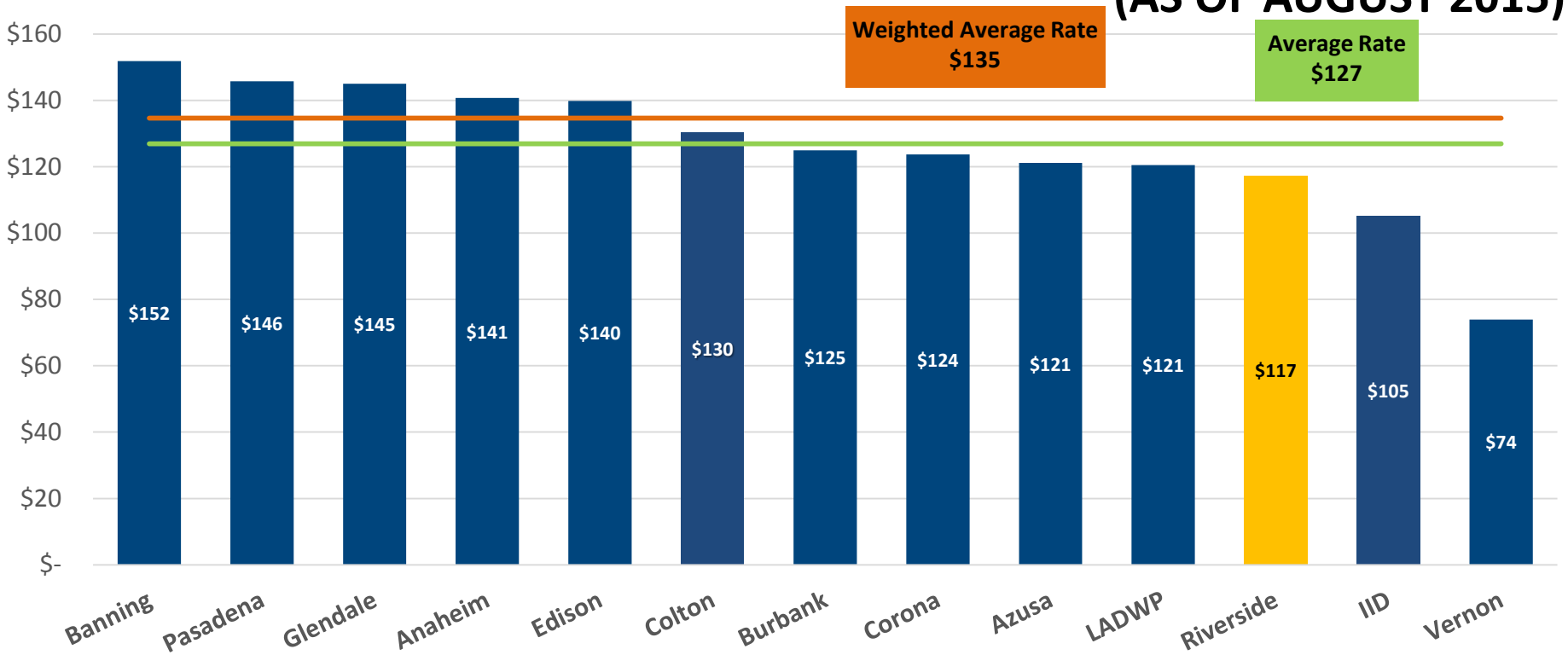
($1,975,574)



Rates, Revenues and Trends

Electric – Rate Comparison

AVERAGE RESIDENTIAL RATE FOR 750 KWH PER MONTH (AS OF AUGUST 2015)

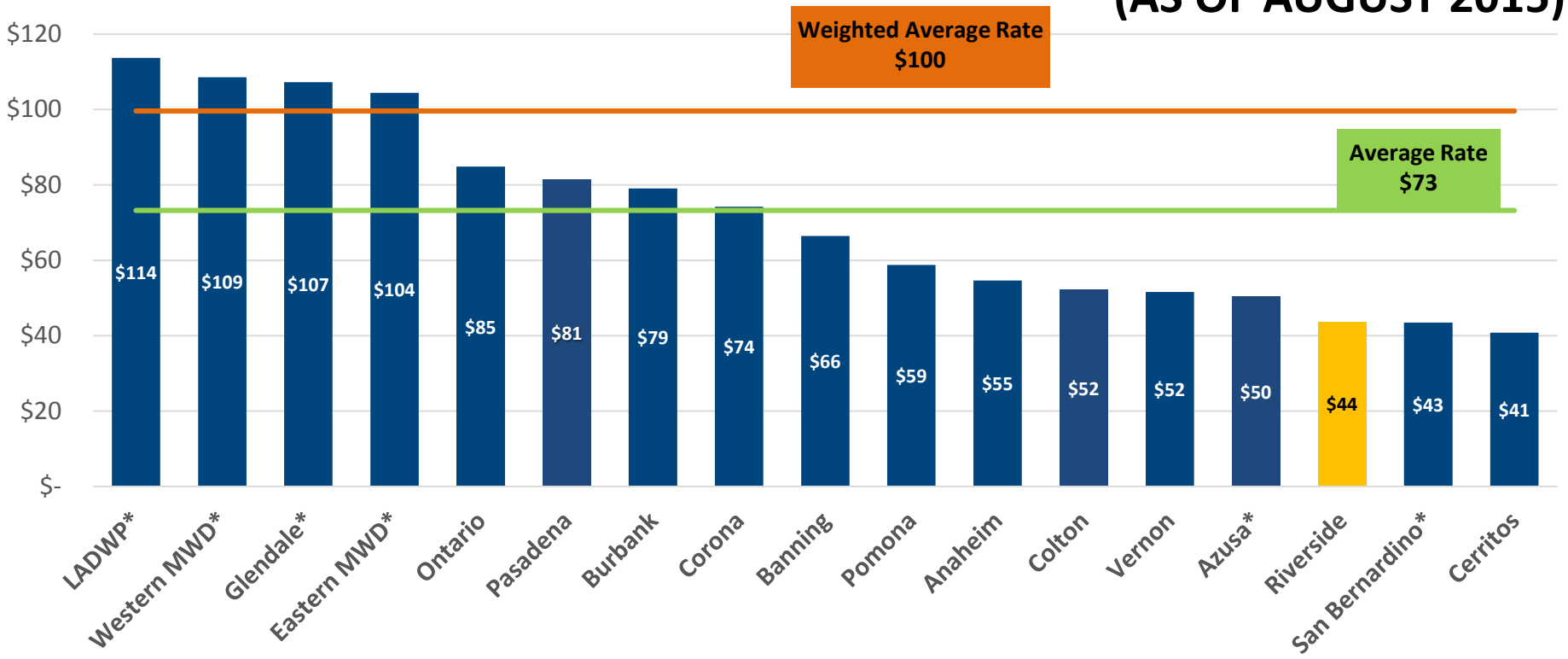


WATER | ENERGY | LIFE

CITY OF RIVERSIDE PUBLIC UTILITIES

Water – Rate Comparison

AVERAGE RESIDENTIAL RATE FOR 22 CCF PER MONTH (AS OF AUGUST 2015)



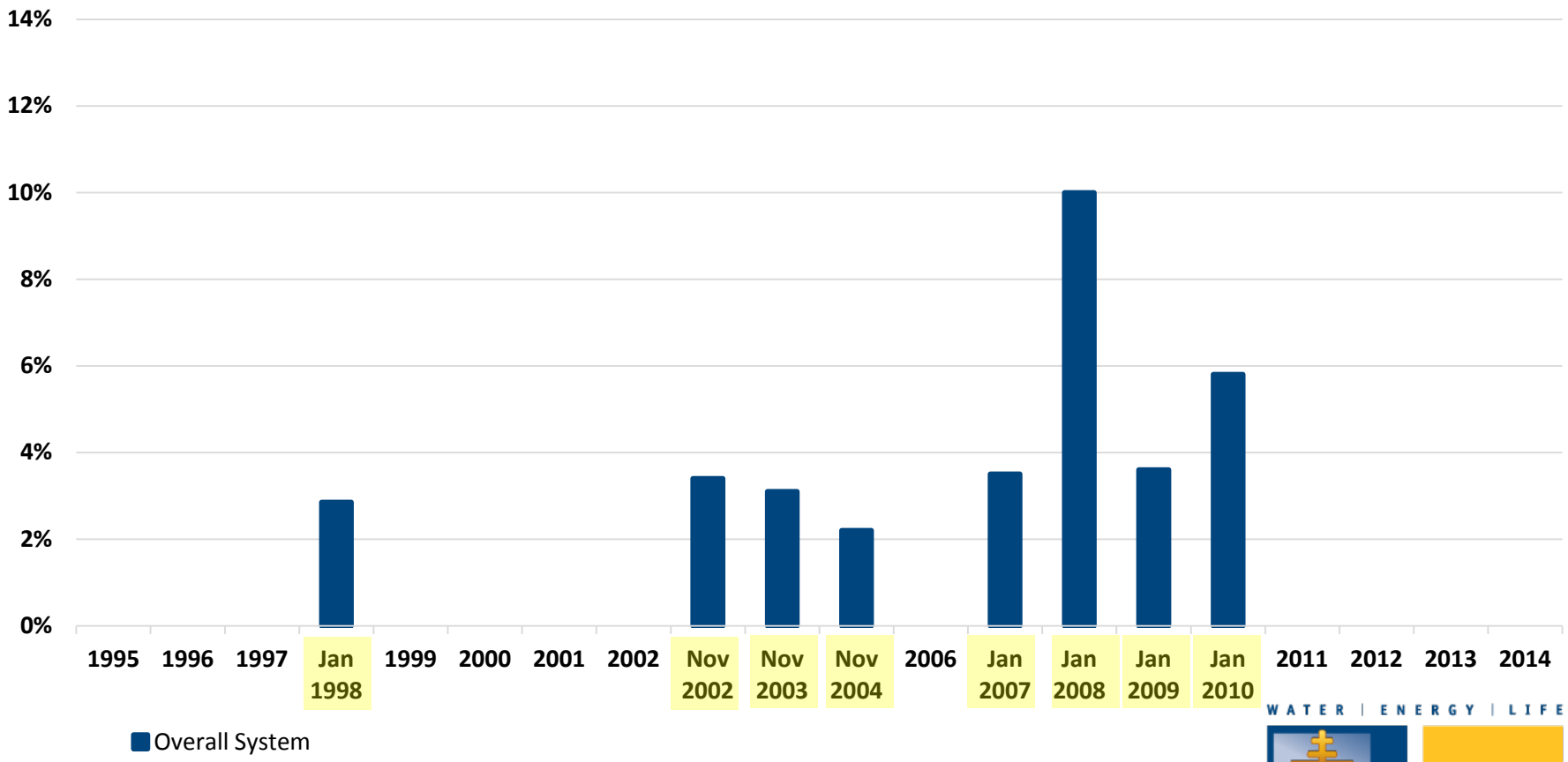
* Drought rates in effect

WATER | ENERGY | LIFE

CITY OF RIVERSIDE PUBLIC UTILITIES

RiversidePublicUtilities.com

Electric Rate Increases
Last 20 Years



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CITY OF RIVERSIDE PUBLIC UTILITIES

RiversidePublicUtilities.com

What projects that Electric Rate Plans supported in the last 20 Years

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Percentage of Rate Increase																			
			2.85%					3.4%	3.1%	2.2%		3.5%	10.0%	3.6%	5.8%				
			State Mandated Public Benefits Charge					3 Year Rate Plan				4 Year Rate Plan				Electric Rate Freeze through January 2014			

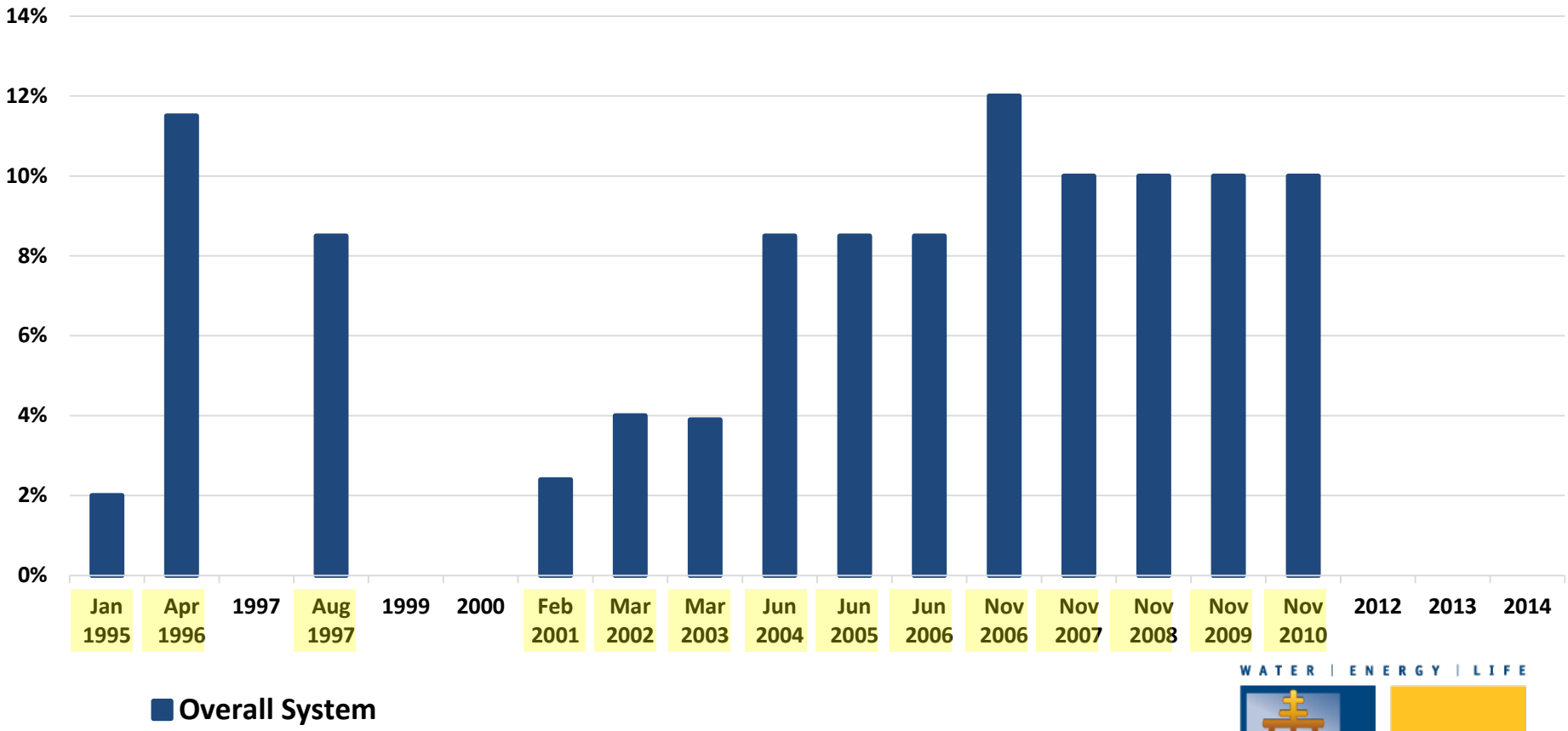
Prior Rate Plans

- SONGS Capital Improvement
- Springs Generating Plant
- Transmission Line

- SONGS Capital Improvement
- Expanded Overhead / Underground Conversion
- Cable & Structure Replacement Program
- Substation Bus & Upgrades
- Substation Power Transformers
- Major Feeders
- Major 4/12kV Conversion

- **RERC 1, 2, 3 & 4**
- SONGS Steam Generator Replacement
- RTRP/STP
- Clearwater
- Meter Replacement Program
- CIS Replacement
- Replacing low cost power contracts

Water Rate Increases
Last 20 Years



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CITY OF RIVERSIDE PUBLIC UTILITIES

RiversidePublicUtilities.com

What project that Water Rate Plans supported in the last 20 Years

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Percentage of Rate Increase																			
2.00%	11.50%		8.50%			2.4%	4.0%	3.9%	8.5%	8.5%	8.5%	12.0%	10.0%	10.0%	10.0%	10.0%			
Water Rate Increase	Water Rate Increase		Water Rate Increase			3 Year Rate Plan			3 Year Rate Plan & Water Conservation Surcharge			5 Year Rate Plan							Water Cons. Surcharge (Renewal)

- Expanded Main Replacement

- Tilden Reservoir

- Expanded Main Replacement

- Expanded Main Replacement
- Transmission Mains
- Water Supervisory Control and Data Acquisition (SCADA) System

- Expanded Main Replacement
- Waterman Pipeline Replacement
- Mockingbird Canyon Dam

- Expanded Main Replacement
- **JW North**
- Water System Relocations
- Transmission Mains
- Facility Rehab.
- Pump Station Replacements
- **Whitegates I & II Reservoirs**
- **Evans Reservoir**
- Seven Oaks Dam

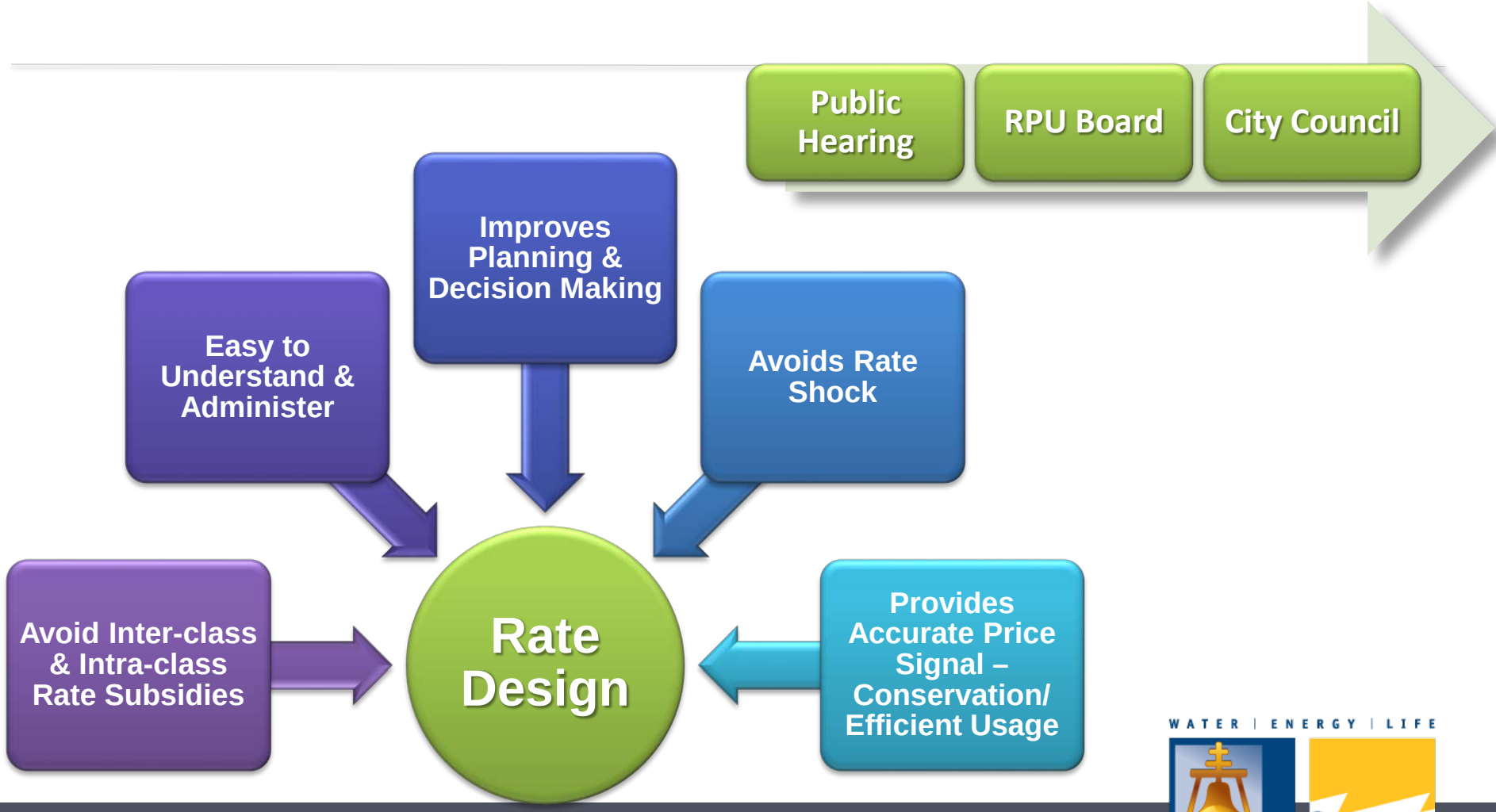
WATER | ENERGY | LIFE

CITY OF RIVERSIDE PUBLIC UTILITIES

RPU Current Rates

Rate Type	Electric		Water	
	Residential	Other	Residential	Other
Residential / Domestic	X		X	
Domestic Time of Use	X			
Commercial / Industrial / Contract		X		X
Economic Development / Business Retention / Temporary Economic Development		X		
Net Energy Metering	X	X		
Feed-In Tariff		X		
Street / Outdoor Lighting		X		
Agricultural & Pumping / Wind Machines		X		
Stand-By-Service		X		
Traffic Control Service		X		
Irrigation / Grove Preservation			X	X
Riverside Water Company Irrigators / Greenbelt Irrigation				X
Special Landscape				X
Fire Protection / Fire Hydrants / Temporary Service				X
Recycled Water				X

RPU Rates



WATER | ENERGY | LIFE
CITY OF RIVERSIDE
PUBLIC UTILITIES

Key Issues Affecting Rates/Revenues

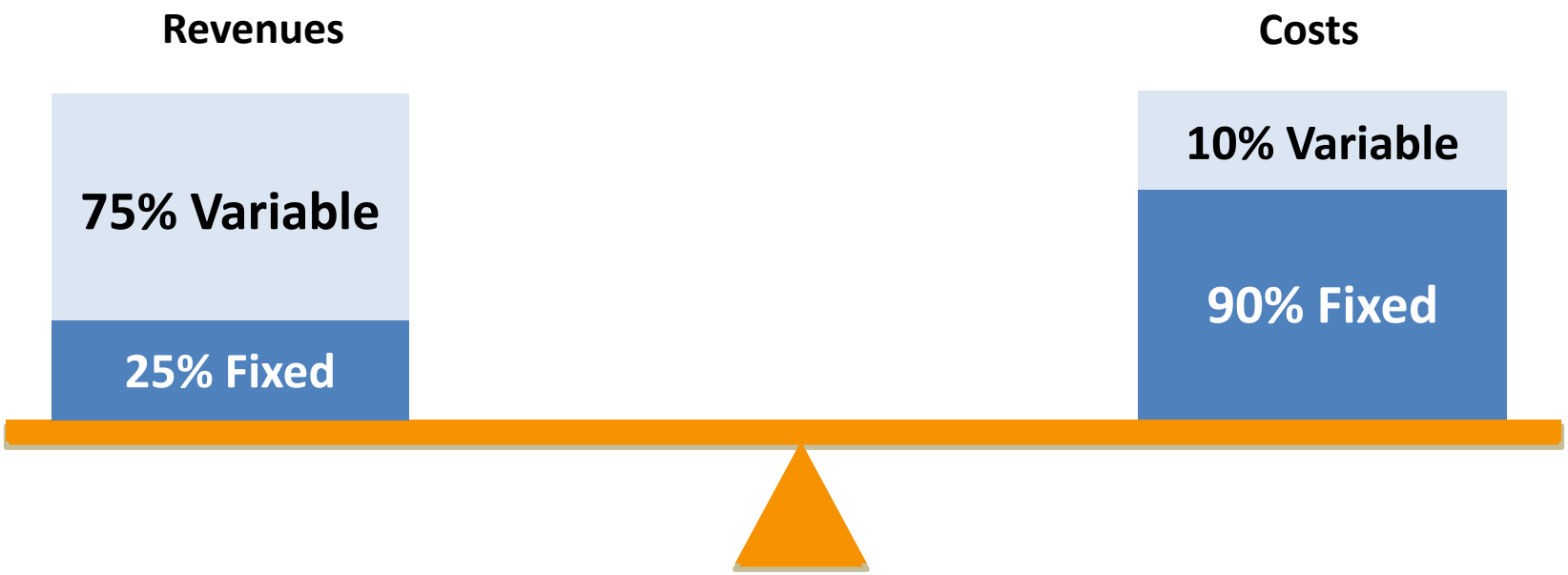
Electric & Water:

- Fixed vs. Variable Revenues & Expenses

Ideal Fixed/Variable Balance

Electric Fixed/Variable Balance

Water Fixed/Variable Balance



The Residential Customer Bill

RIVERSIDE PUBLIC UTILITIES

STATEMENT OF SERVICES

KEEP THIS PORTION FOR YOUR RECORDS

FOR SERVICE ENDING: 08/05/15
BILLING DATE: 08/10/15
ACCOUNT NUMBER:
SERVICE ADDRESS:

CUSTOMER SERVICE
UTILITIES PLAZA
3460 Orange Street
Riverside, CA 92501

CUSTOMER SERVICE CENTER
3025 Madison Avenue
Riverside, CA 92504

Customer Service: (951) 782-0330
TDD: (951) 826-2516
Internet: www.riversidepublicutilities.com

RIVERSIDE PUBLIC UTILITIES: PROVIDING WATER

WATER

Water Meter Reading

PREVIOUS READING	PRESENT READING	CONSUMPTION
2048	2092	44

Total Gallons Used: 32912 GAL (CCF x 748 GAL)

TOTAL WATER CONSUMPTION: 44 CCF

Usage Comparison	This Year
28	Days
44	Period
1.52	Daily Average
Usage Comparison	**Last Year**
34	Days
57	Period
1.68	Daily Average

Customer Charges For Water 1085

15 CCF (WATER)@$1.140000	=	17.10
20 CCF (WATER)@$1.830000	=	36.60
9 CCF (WATER)@$2.850000	=	25.65
CUSTOMER CHARGES		13.99

METER READING DATES: 07/07/15 TO 08/05/15

TOTAL CHARGES FOR WATER $93.34

RIVERSIDE PUBLIC UTILITIES: PROVIDING ELECTRICITY

ELECTRIC

Electric Meter Reading

PREVIOUS READING	PRESENT READING	MULTIPLIER	CONSUMPTION
5039	6991	1	1952

TOTAL ELECTRICITY CONSUMPTION: 1952 KWH

Usage Comparison	This Year
28	Days
1952	Period Usage
67.31	Daily Average
Usage Comparison	**Last Year**
34	Days
1958	Period
57.59	Daily Average

Customer Charges For Electricity

750 KWH (ELECTRIC)@$0.103500	=	77.63
750 KWH (ELECTRIC)@$0.164600	=	123.45
452 KWH (ELECTRIC)@$0.186700	=	84.39
CUSTOMER CHARGES		8.06
RELIABILITY CHARGE		10.00
STATE ENERGY		0.57

METER READING DATES: 07/07/15 TO 08/05/15

TOTAL CHARGES FOR ELECTRICITY $304.10

CITY OF RIVERSIDE: PROVIDING CITY SERVICES

CITY SERVICES

UTIL USER TAX	25.80
ELEC PB CHARGE	8.65
SEWER	33.57
SEWER PB CHARGE	0.05
TRASH-CITY	22.76
WTR CONSERVATION SURCHARGE	1.40

TOTAL PAYMENTS RECEIVED THIS BILLING PERIOD $533.98

TOTAL CHARGES FOR CITY SERVICES $92.23

TOTAL CHARGES FOR WATER, ELECTRICITY, AND CITY SERVICES $489.67

MESSAGE CUT YOUR WATERING TO 3 DAYS A WEEK. MORE CONSERVATION INFO AT BLUERIVERSIDE.COM

RIVERSIDE PUBLIC UTILITIES — PAYMENT CARD

PAYMENT BY MAIL:
Enclose card with remittance payable to Riverside Public Utilities in the envelope provided.

PAYMENT BY PERSON:
Bring entire bill to an authorized payment station.
(See insert for payment locations)

PLEASE PAY IMMEDIATELY
(SERVICE SUBJECT TO TERMINATION)

SUMMARY OF CURRENT AMOUNT DUE

WATER	ELECTRICITY	CITY SERVICES
$93.34	$304.10	$92.23

BILLING DATE: 08/10/15
PLEASE PAY BY: 08/31/15

SHARE FUND (LOW INCOME UTILITY ASSISTANCE)
MY DONATION IS: $1 $2 $5 OTHER $ _____

ACCOUNT NUMBER:

PREVIOUS BALANCE	
CURRENT AMOUNT DUE	$489.67
TOTAL BALANCE DUE	$489.67
SHARE DONATION	
PLEASE INDICATE AMOUNT PAID	

01906350028000000489674

RiversidePublicUtilities.com

Electric

RIVERSIDE PUBLIC UTILITIES: PROVIDING ELECTRICITY

ELECTRIC

Usage Comparison	This Year
29	Days
1952	Period Usage
67.31	Daily Average
Usage Comparison	**Last Year**
34	Days
1958	Period
57.59	Daily Average

Electric Meter Reading

PREVIOUS READING	PRESENT READING	MAX. DEMAND	FACTOR	CONSUMPTION
5039	6991		1	1952

TOTAL ELECTRICITY CONSUMPTION: 1952 KWH

Inclining Tiers

Customer Charges For Electricity

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WATER | ENERGY | LIFE

CITY OF RIVERSIDE PUBLIC UTILITIES

Electric

RIVERSIDE PUBLIC UTILITIES: PROVIDING ELECTRICITY

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STATE ENERGY		0.57

METER READING DATES: 07/07/15 TO 08/05/15

TOTAL CHARGES FOR ELEC

Electricity Charge: Variable charge based on usage.

State Energy Tax: Pass through to the State.

Reliability Charge: Fixed charge to cover debt service related costs.

Customer Charge: Fixed charge to recover costs such as meter reading, billing, customer service, and administration.

WATER | ENERGY | LIFE

CITY OF RIVERSIDE PUBLIC UTILITIES

Water

RIVERSIDE PUBLIC UTILITIES: PROVIDING WATER

WATER

Usage Comparison	This Year
29	Days
44	Period
1.52	Daily Average
Usage Comparison	**Last Year**
34	Days
57	Period
1.68	Daily Average

Water Meter Reading

PREVIOUS READING	PRESENT READING	CONSUMPTION
2048	2092	44

Inclining Tiers

Converts CCF to Gallons

Total Gallons Used: 32912 GAL (CCF x 748 GAL)

TOTAL WATER CONSUMPTION: 44 CCF

Customer Charges For Water 1085

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METER READING DATES: 07/07/15 TO 08/05/15

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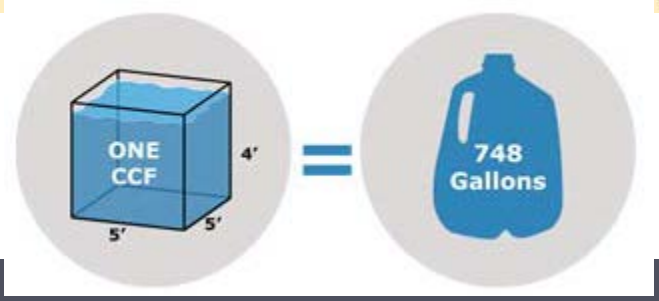

WATER | ENERGY | LIFE

CITY OF RIVERSIDE PUBLIC UTILITIES

RiversidePublicUtilities.com

Water

RIVERSIDE PUBLIC UTILITIES: PROVIDING WATER

WATER

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METER READING DATES: 07/07/15 TO 08/05/15

TOTAL CHARGES FOR WATER $93.34

WATER | ENERGY | LIFE

CITY OF RIVERSIDE PUBLIC UTILITIES

City Services

CITY OF RIVERSIDE: PROVIDING CITY SERVICES

CITY

UTIL USER TAX	25.80
ELEC PB CHARGE	8.65
SEWER	33.57
SEWER PB CHARGE	0.05
TRASH-CITY	22.76
WTR CONSERVATION SURCHARGE	1.40

TOTA

TOTAL CHARGES FOR WATER, EL

Utility User's Tax: A City of Riverside General Fund 6.5% charge to the water and electric portion of your bill.

City Services for Sewer and Trash.

Public Benefit Surcharge: State-mandated fee of 2.85% of electric charges to fund the Public Benefit Program.

Water Conservation Surcharge: A 1.5% of water charges to fund water conservation programs.

WATER | ENERGY | LIFE

CITY OF RIVERSIDE PUBLIC UTILITIES

Message & Payment Card

MESSAGE CUT YOUR WATERING TO 3 DAYS A WEEK. MORE CONSERVATION INFO AT BLUERIVERSIDE.COM

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ACCOUNT NUMBER:

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TOTAL BALANCE DUE	$489.67
SHARE DONATION	
PLEASE INDICATE AMOUNT PAID	

WATER | ENERGY | LIFE
CITY OF RIVERSIDE PUBLIC UTILITIES

Back of the Customer Bill

UTILITY UPDATE
RIVERSIDE PUBLIC UTILITIES

Important Drought Update:
New Water Conservation Restrictions

In June, the city council adopted new water conservation guidelines to help Riverside Public Utilities (RPU) meet new state-mandated goals for water conservation. Under current legislation, RPU is being asked to reduce overall water use system wide by 28 percent. Please note, the reduction is a cumulative effort, not individual, not personal, but overall.

To help us achieve our new goal, changes were made to Riverside's water conservation ordinance. They included new schedules that cut outdoor watering to just three days per week (April through October) and two days per week (November through March).

Watering times are limited to a maximum of 15 minutes per station between the hours of 6 p.m. to 10 a.m. Customers with high-efficiency drip or micro spray irrigation systems are exempt from this new schedule.

The new watering schedules join a list of changed or updated mandatory conservation measures that came out this spring. They include: no watering of turf or ornamental landscapes during, or 48-hours following measurable precipitation; new requirements by water agencies to notify customers when they are aware of leaks that are within the customer's control to repair; restaurants and other food service establishments can only serve water on request; and hotels and motels must provide guests with options of not having towels/linens laundered daily and must prominently display this option.

Riverside Public Utilities has updated its website **BlueRiverside.com** with the latest guidelines, conservation tips, and information about available water saving rebate programs that can offset the costs of making residential and commercial properties more water wise throughout the city.

do you know?

An easy way to cool down your house is with attic fans. And RPU has great rebates for energy customers to install them. Get up to $100 back for installing solar attic fans, or $50 back for installing electric ones. Find out more about these and other Weatherization rebates from RPU at GreenRiverside.com.

conservationcorner

July is a time when plants can get thirsty. But there are ways to ensure you are doing your part to conserve water and not waste it!

- Stick to night or early morning watering.
- Don't overwater and create runoff.
- Use mulch around planters and trees to help retain moisture.
- Check for and fix leaks.

For more water conservation tips and info on our available water conservation rebate programs visit GreenRiverside.com.

RiversidePublicUtilities.com

08/15

Please return this part of the bill with your payment in the envelope provided.
Mail to: City of Riverside Public Utilities, 3900 Main Street, Riverside, CA 92522-0144.

We accept Visa, MasterCard, Discover & American Express

Payment Method:
☐ Visa ☐ MC
☐ Discover ☐ Am Ex

Card Number

Exp. Date Signature

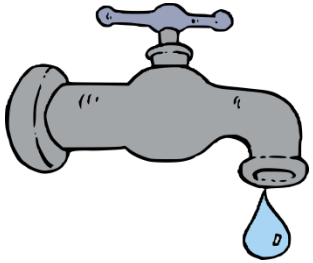
YOU MUST SIGN FOR PAYMENT TO BE PROCESSED.

Payment Amount: _____
SHARE Donation: _____
Total Payment: _____

WATER | ENERGY | LIFE
CITY OF RIVERSIDE
PUBLIC UTILITIES

RiversidePublicUt

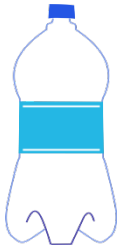
Value of RPU Water



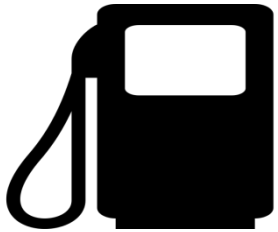
Less than $0.01
per gallon

$1.95 per cup

$3.96 per gallon



$1.67 per bottle



$3.52 per gallon

WATER | ENERGY | LIFE

CITY OF RIVERSIDE PUBLIC UTILITIES

Key Issues Affecting Rates/Revenues

Electric & Water:

- Fixed vs. Variable Revenues & Expenses
- Conservation & Efficiency

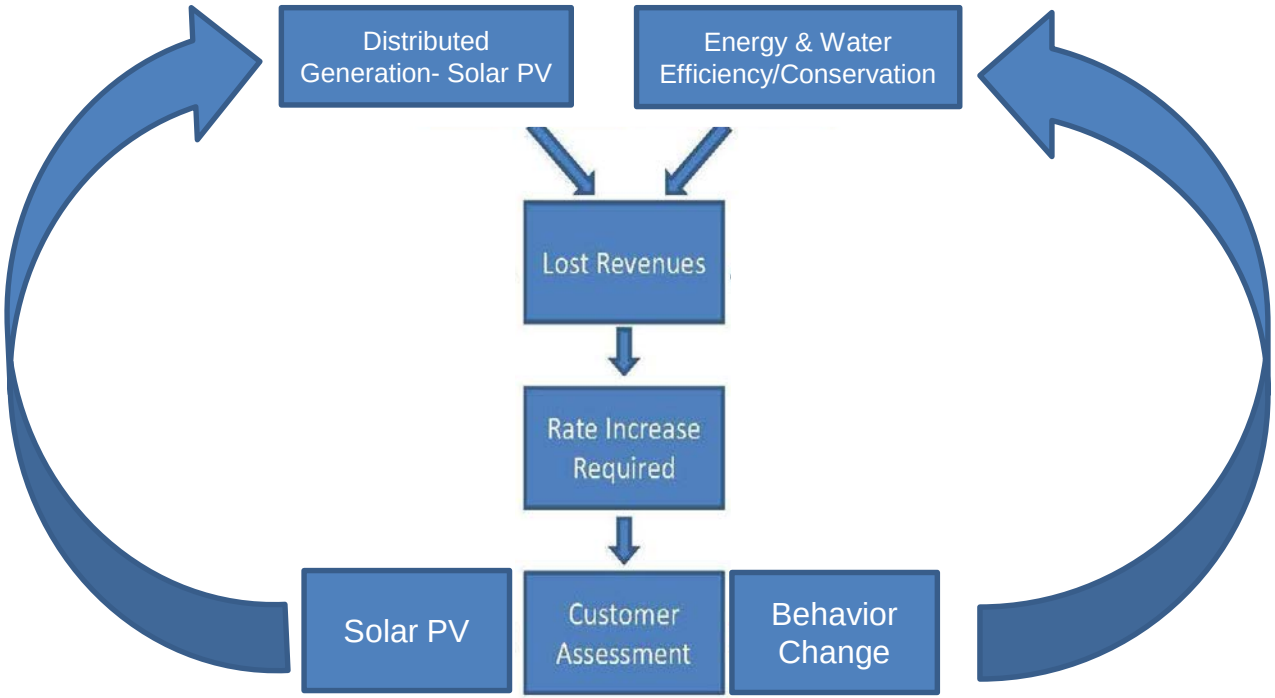
Electric:

- Distributed Generation – Solar PV

Water:

- Mandatory Drought Restrictions

Rate Model 1.0 will not work for Utility 2.0



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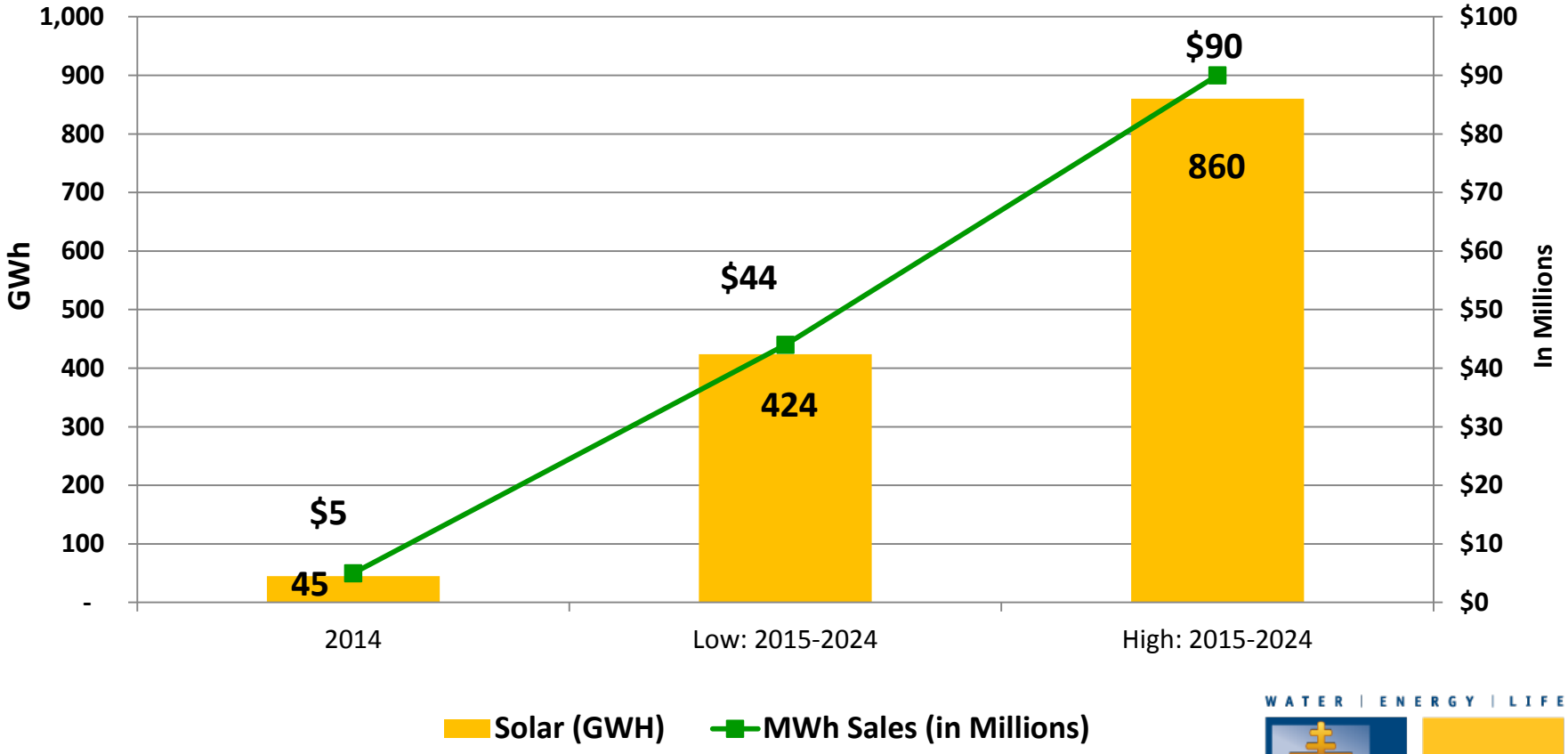
CITY OF RIVERSIDE PUBLIC UTILITIES

How rooftop solar can impact revenue



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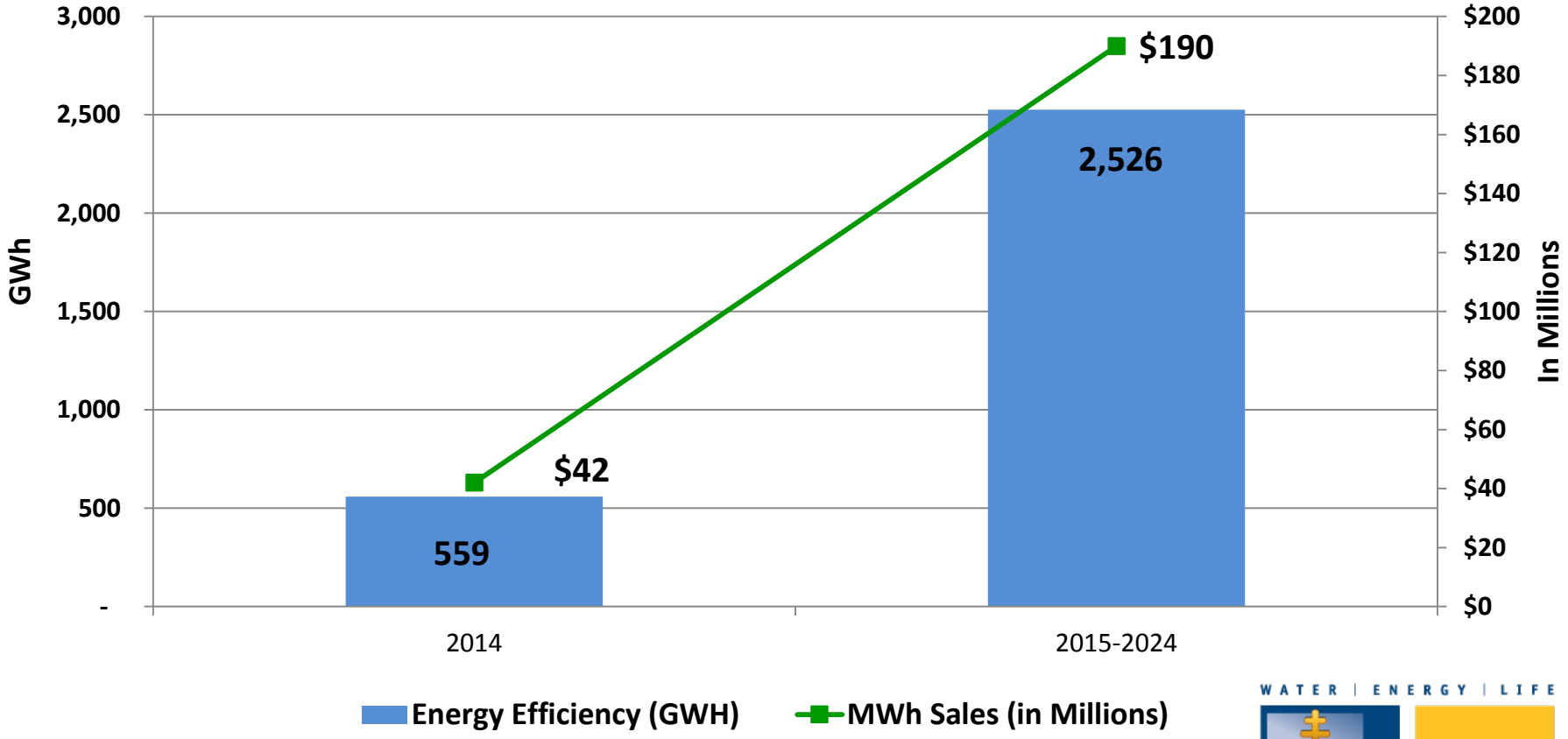
CITY OF RIVERSIDE PUBLIC UTILITIES

RiversidePublicUtilities.com

How energy efficiency can impact revenue



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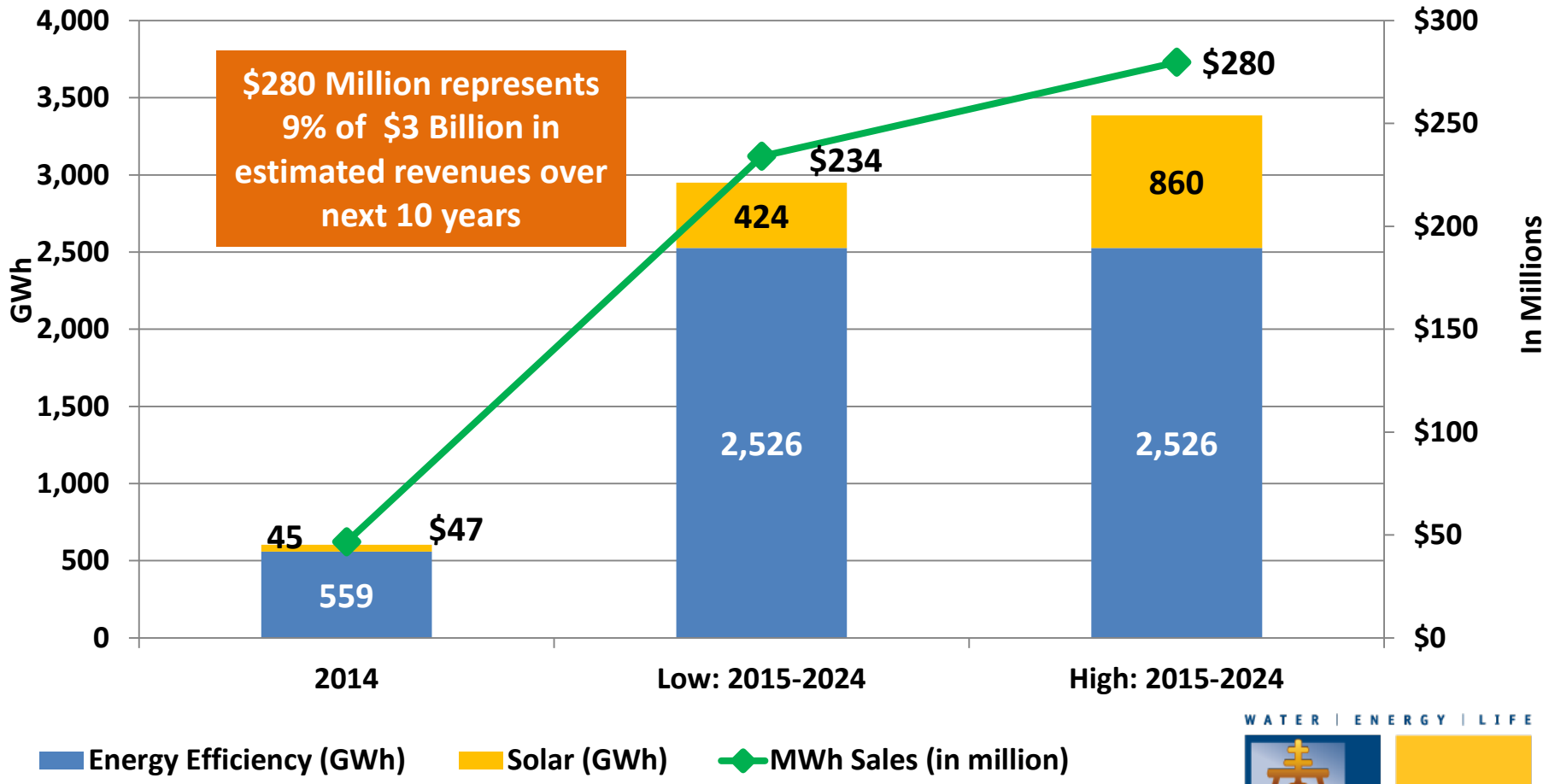
CITY OF RIVERSIDE PUBLIC UTILITIES

How rooftop solar and energy efficiency can impact revenue



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PUBLIC UTILITIES

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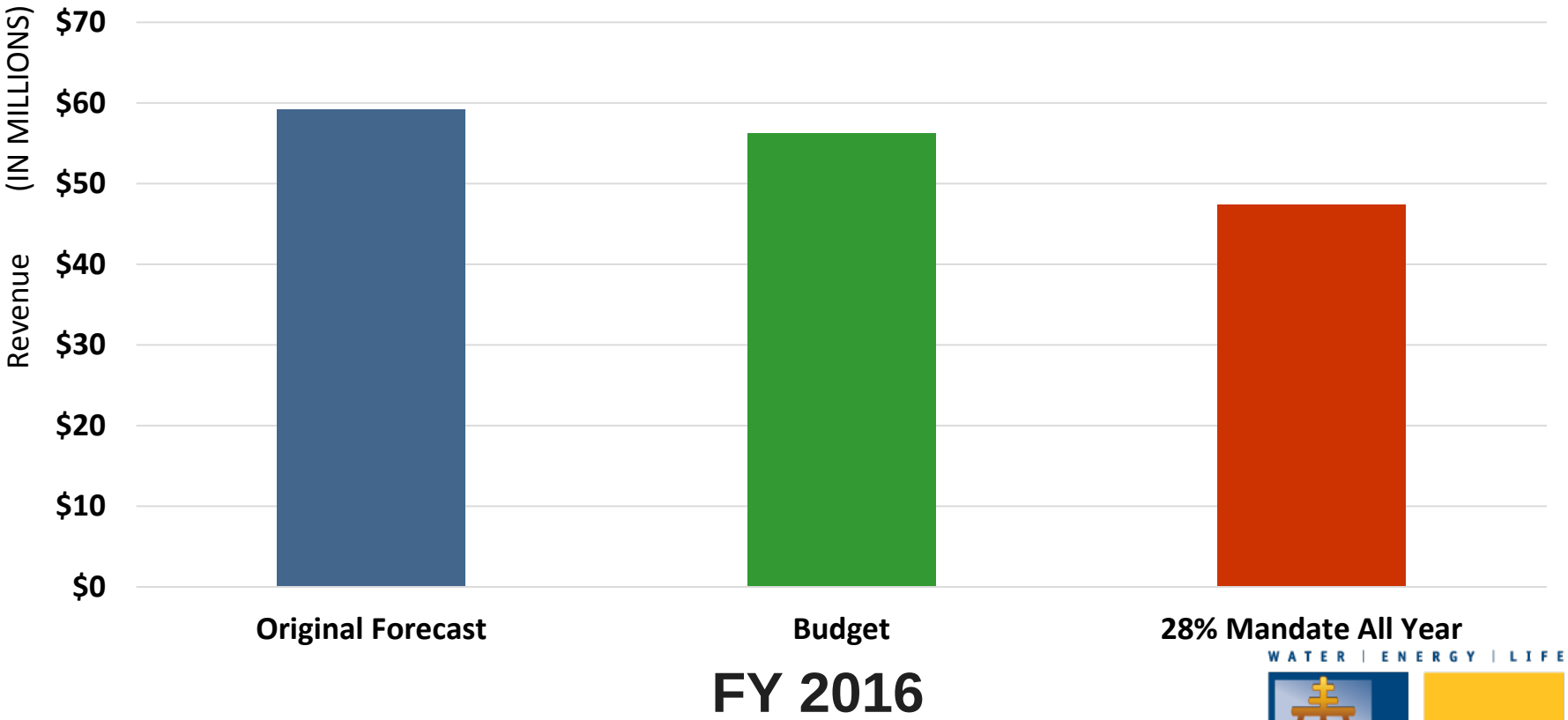
How revenue is lost due to Mandatory Drought Restrictions
(current rates)

28% decrease for entire FY 2016 results in $9 M loss of Revenue



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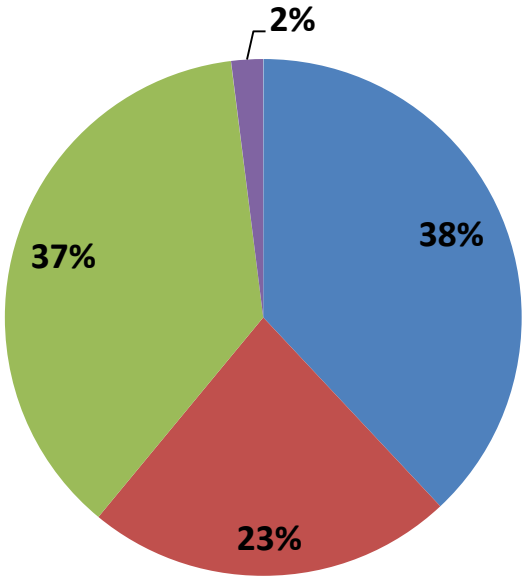
Rates 1.0 must evolve to Rates 2.0

Rate Type	Electric		Water	
	Residential	Other	Residential	Other
Residential / Domestic	X		X	
Domestic Time of Use	X			
Commercial / Industrial / Contract		X		X
Economic Development / Business Retention / Temporary Economic Development		X		
Net Energy Metering	X	X		
Feed-In Tariff		X		
Street / Outdoor Lighting		X		
Agricultural & Pumping / Wind Machines		X		
Stand-By-Service		X		
Traffic Control Service		X		
Irrigation / Grove Preservation			X	X
Riverside Water Company Irrigators / Greenbelt Irrigation				X
Special Landscape				X
Fire Protection / Fire Hydrants / Temporary Service				X
Recycled Water				X

Electric – Retail Sales

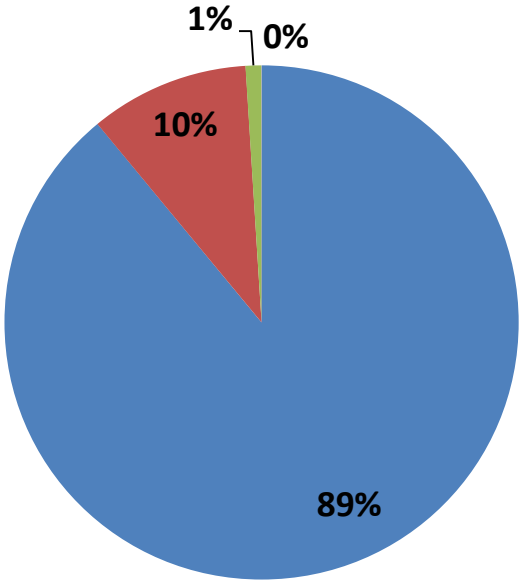
FY 2015 Preliminary

Revenue



- Residential ($113.8M)
- Commercial ($68.3M)
- Industrial/ Contract ($112.3M)
- Other ($5.7M)

Meters



- Residential (99,152)
- Commercial (10,777)
- Industrial/ Contract (910)
- Other (100)

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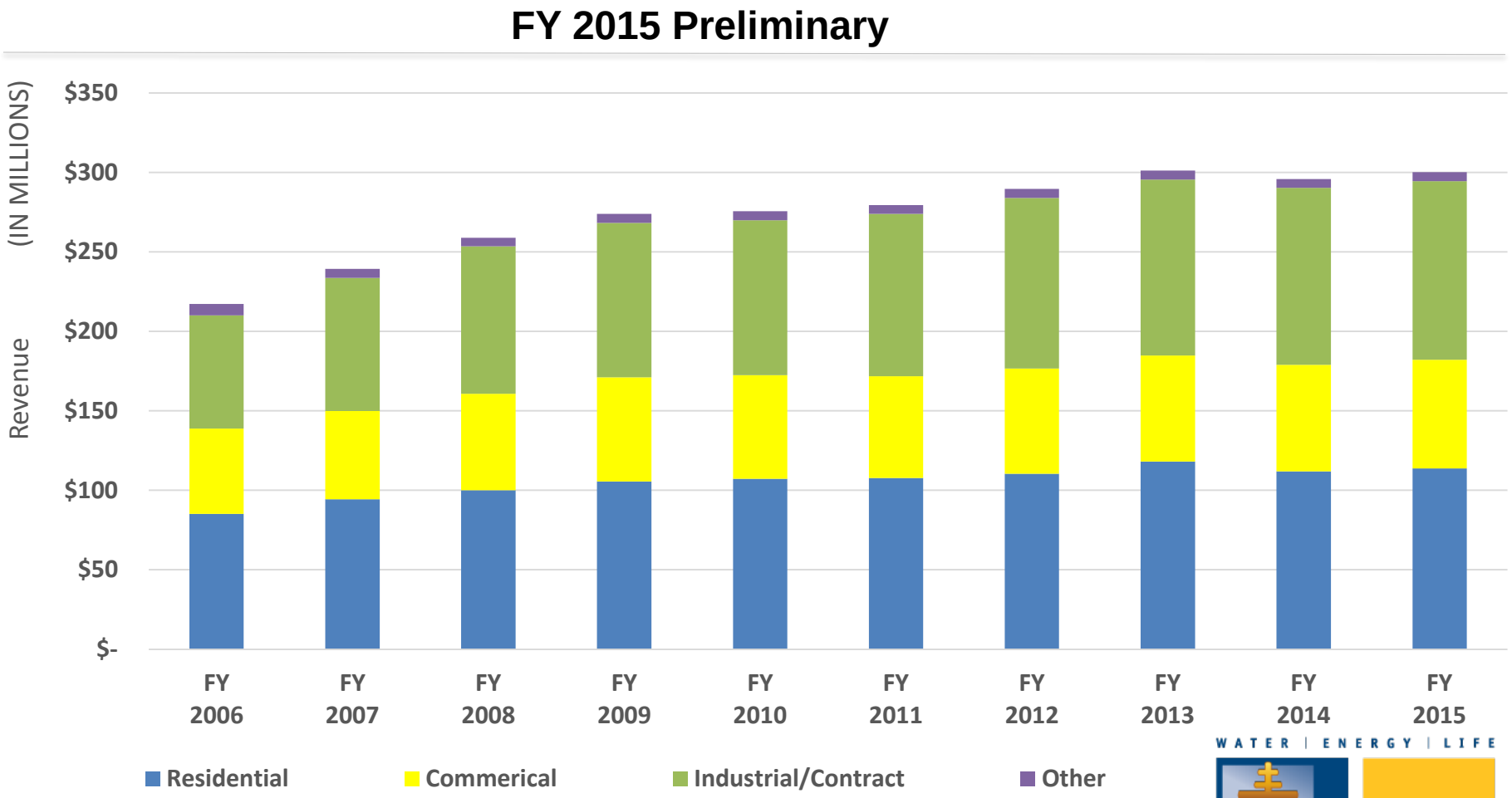
Electric - Historical Retail Sales



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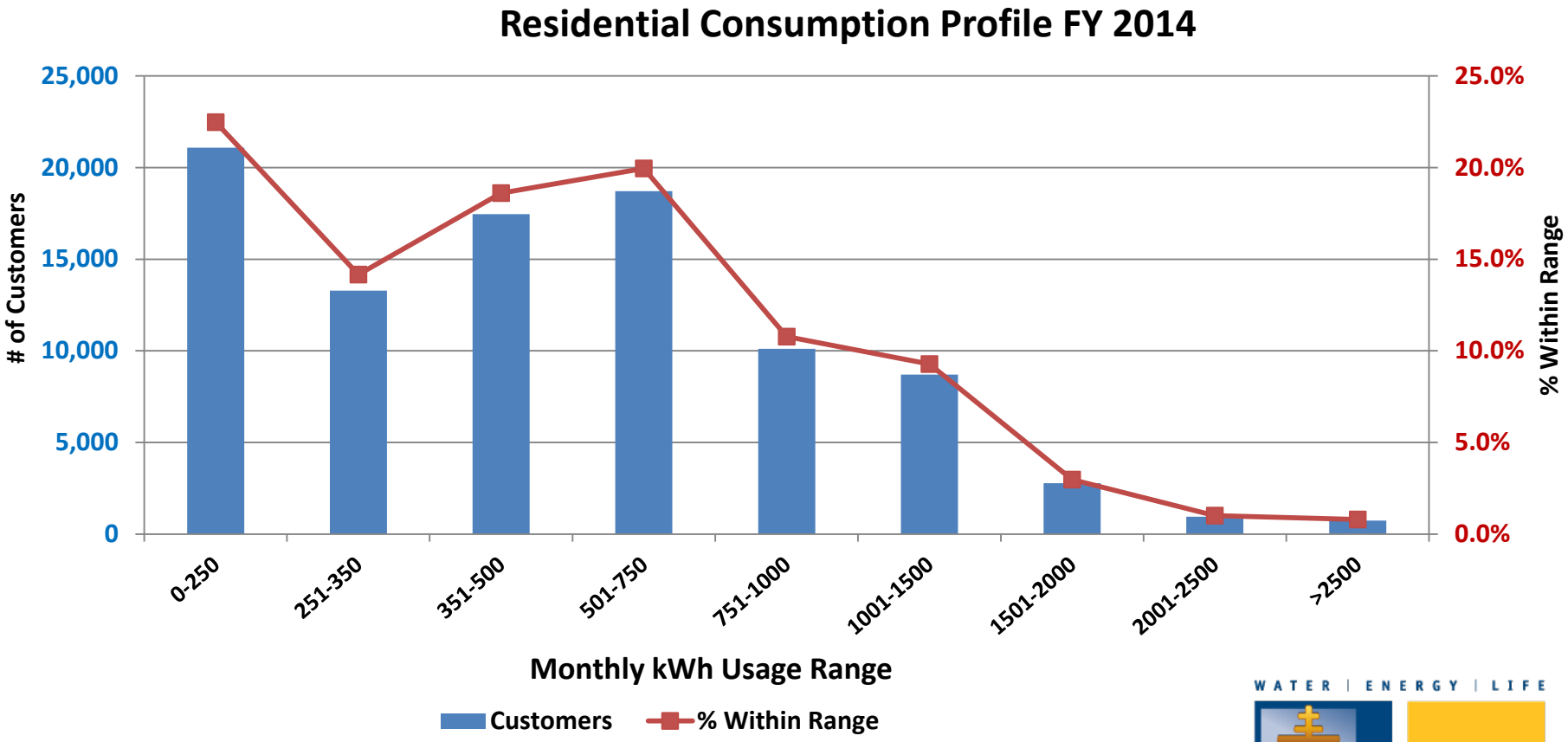
Electric Residential Distribution



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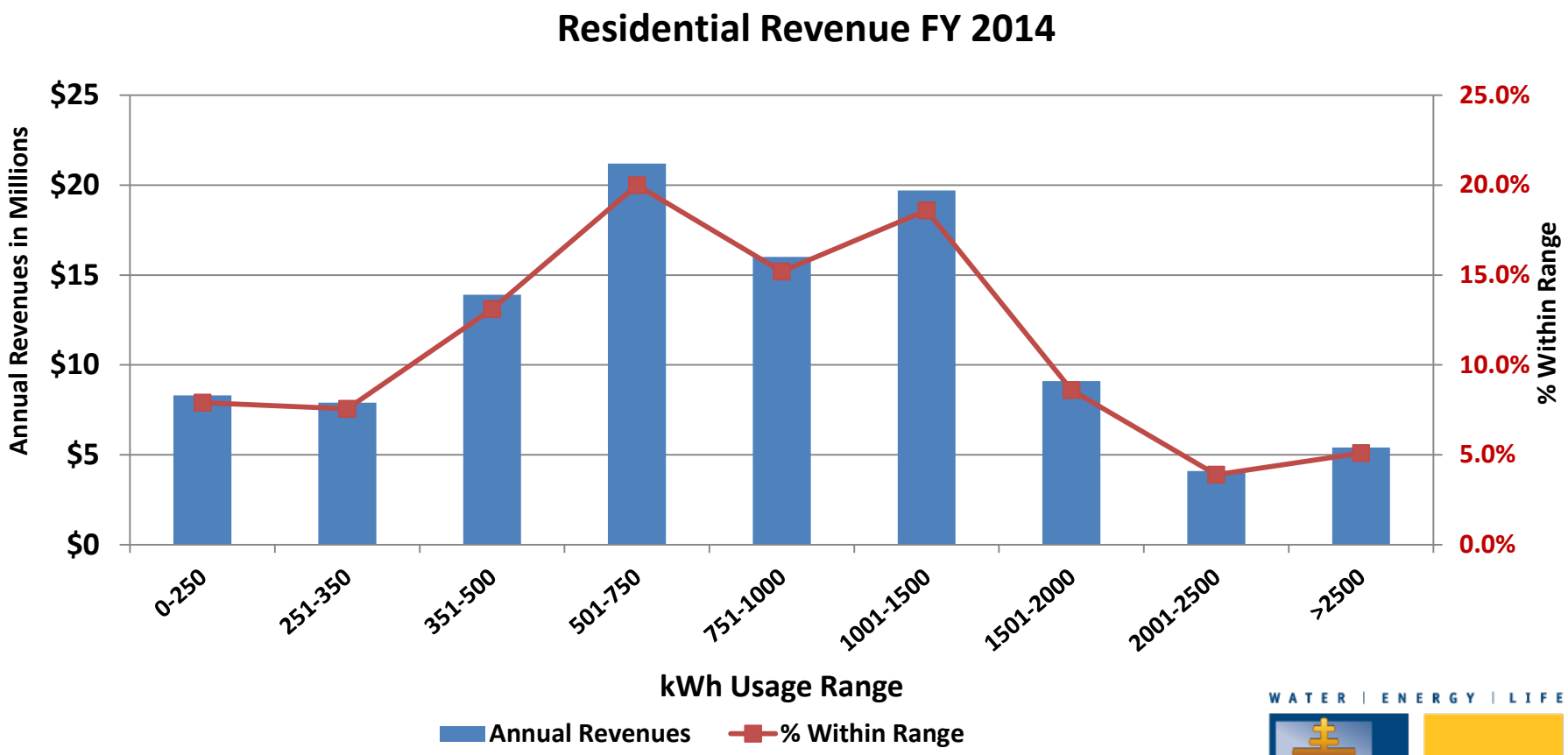
Electric Residential Distribution



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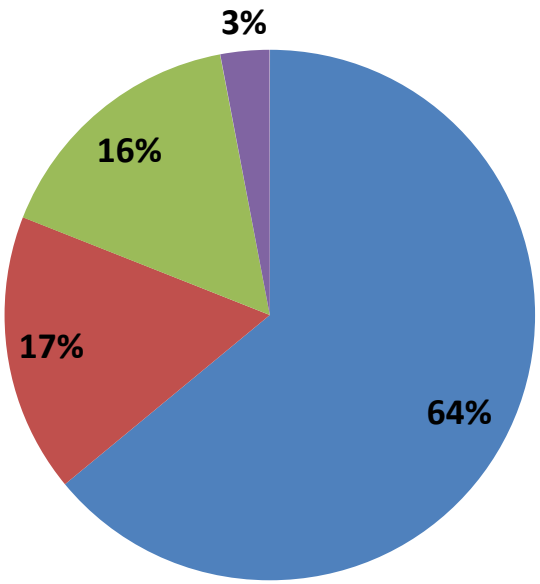
Water – Retail Sales

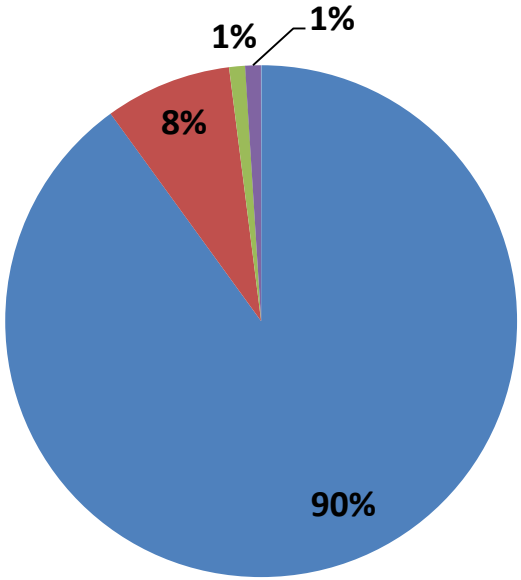
FY 2015 Preliminary

Revenue



- Residential ($36.8M)
- Commercial ($10.0M)
- Industrial ($9.0M)
- Other ($1.9M)

Meters



- Residential (59,276)
- Commercial (5,392)
- Industrial (438)
- Other (362)

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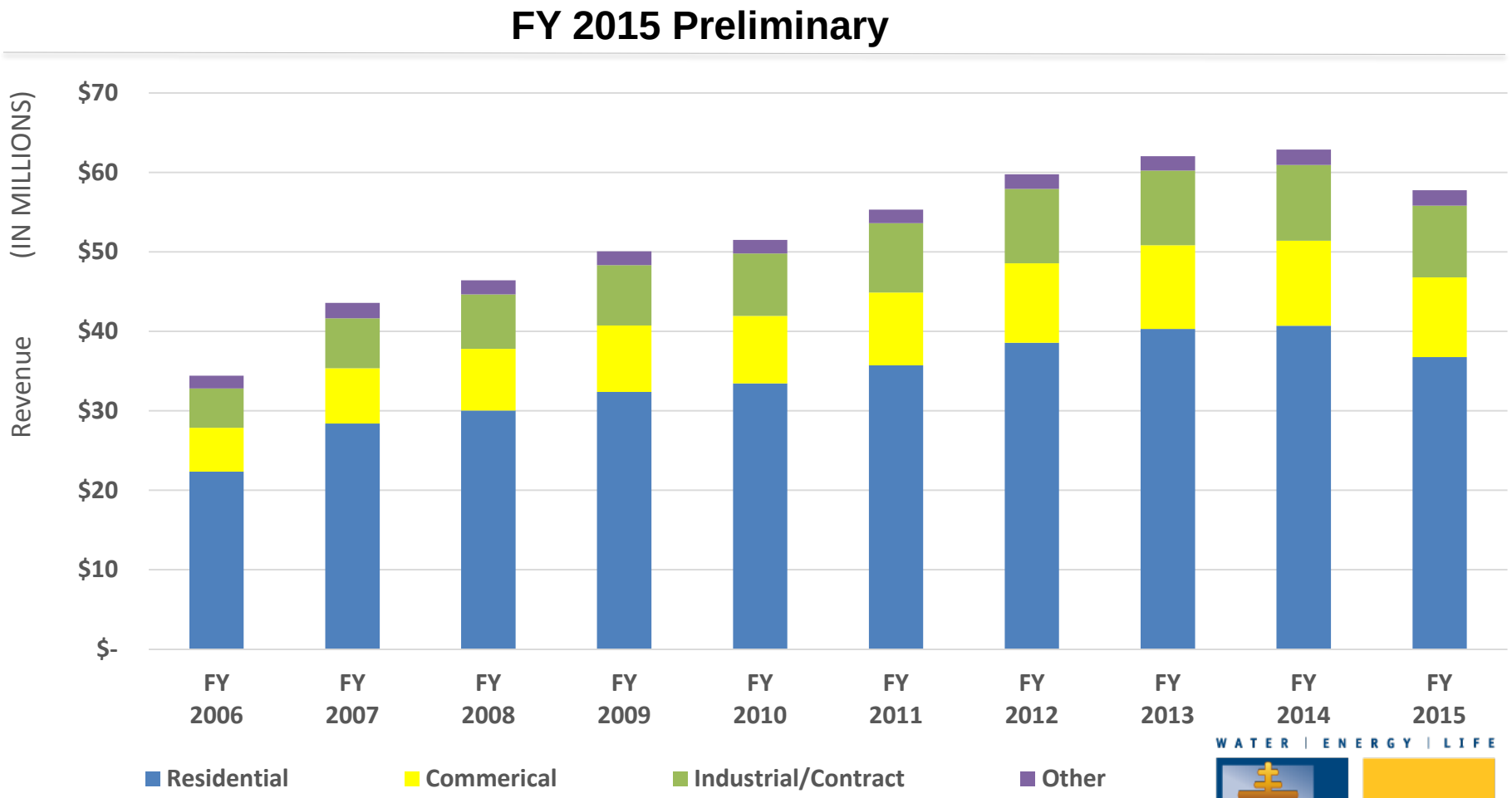
Water - Historical Retail Sales



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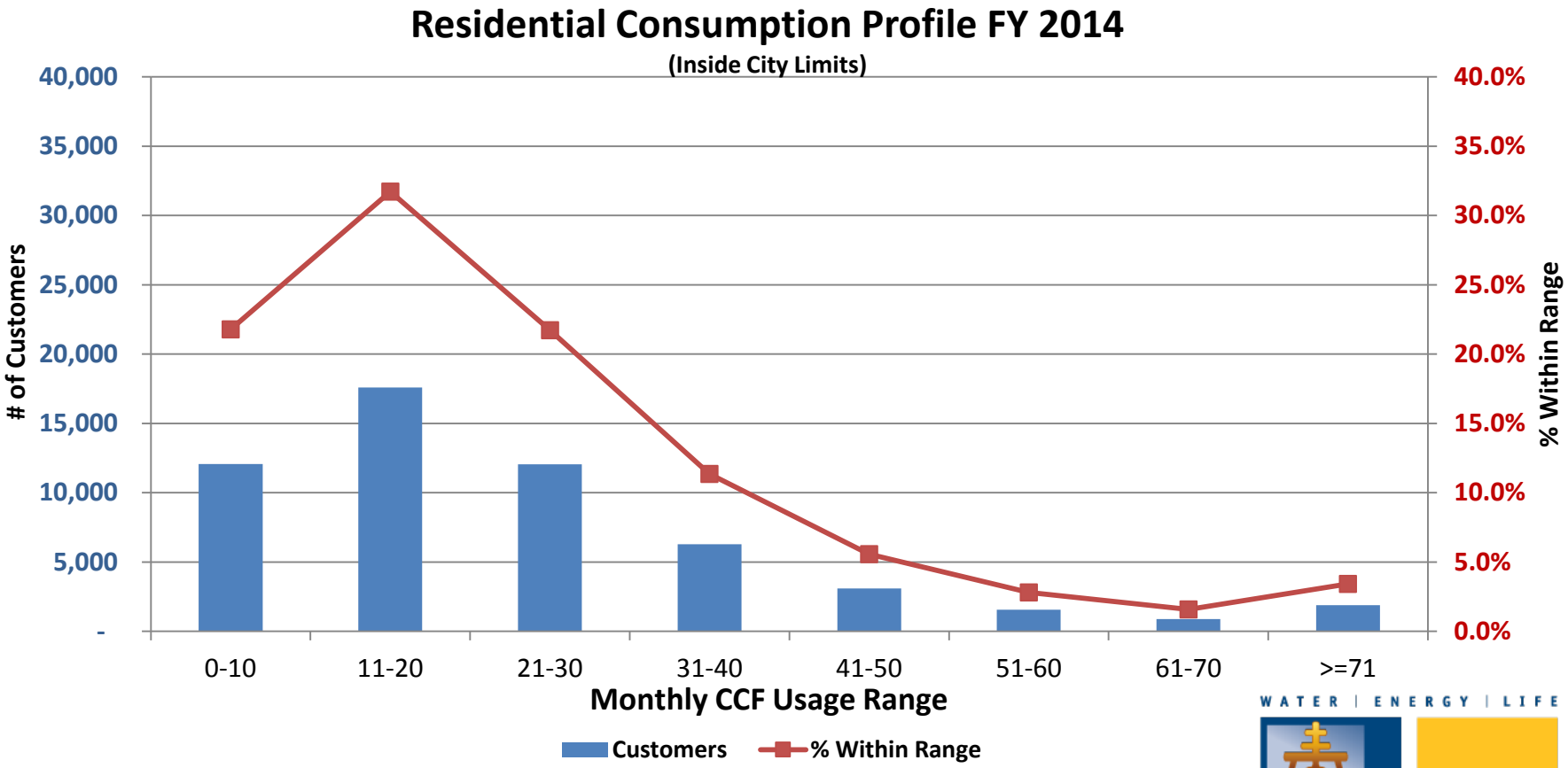
Water – Residential Distribution



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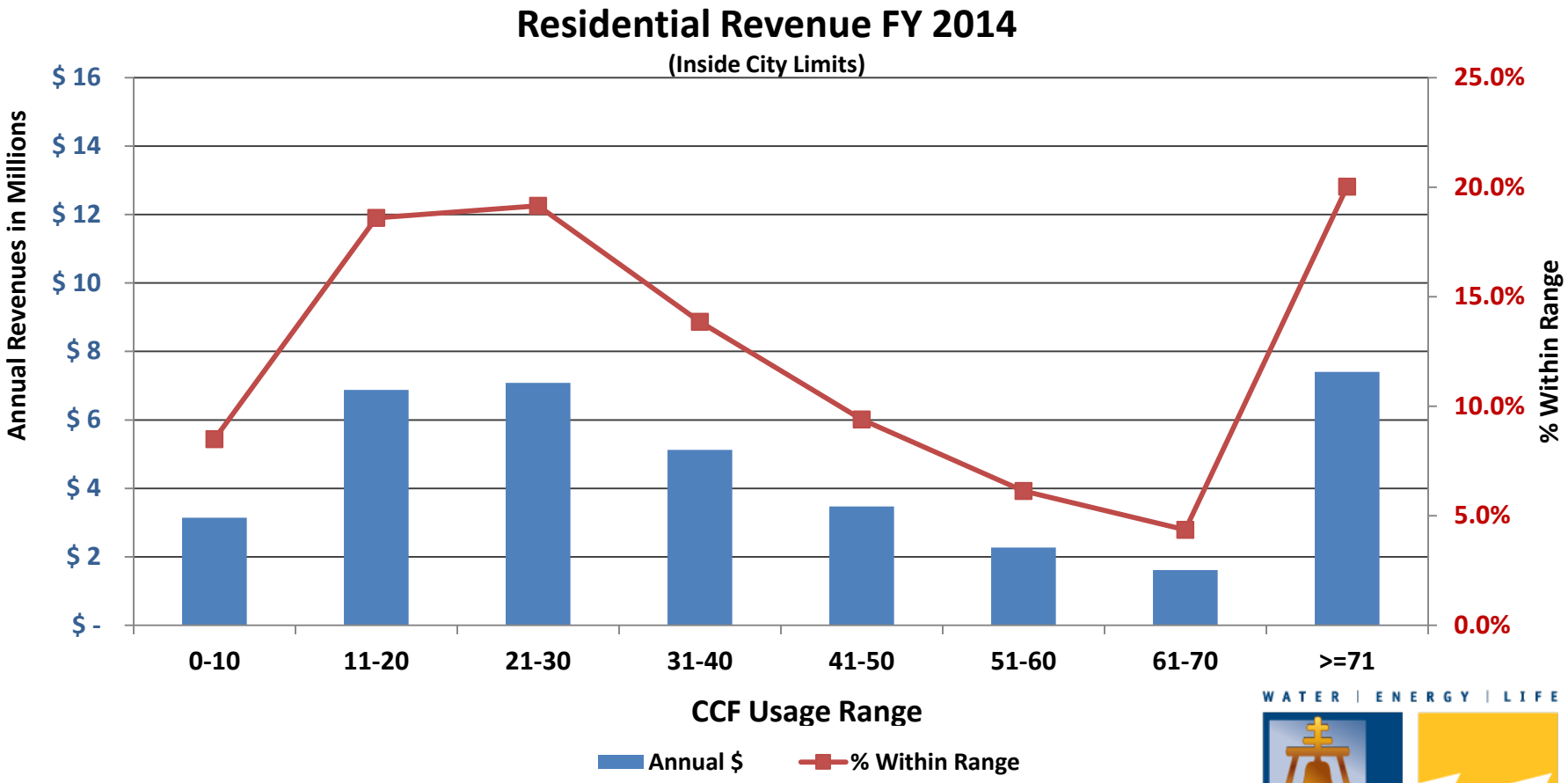
Water – Residential Distribution



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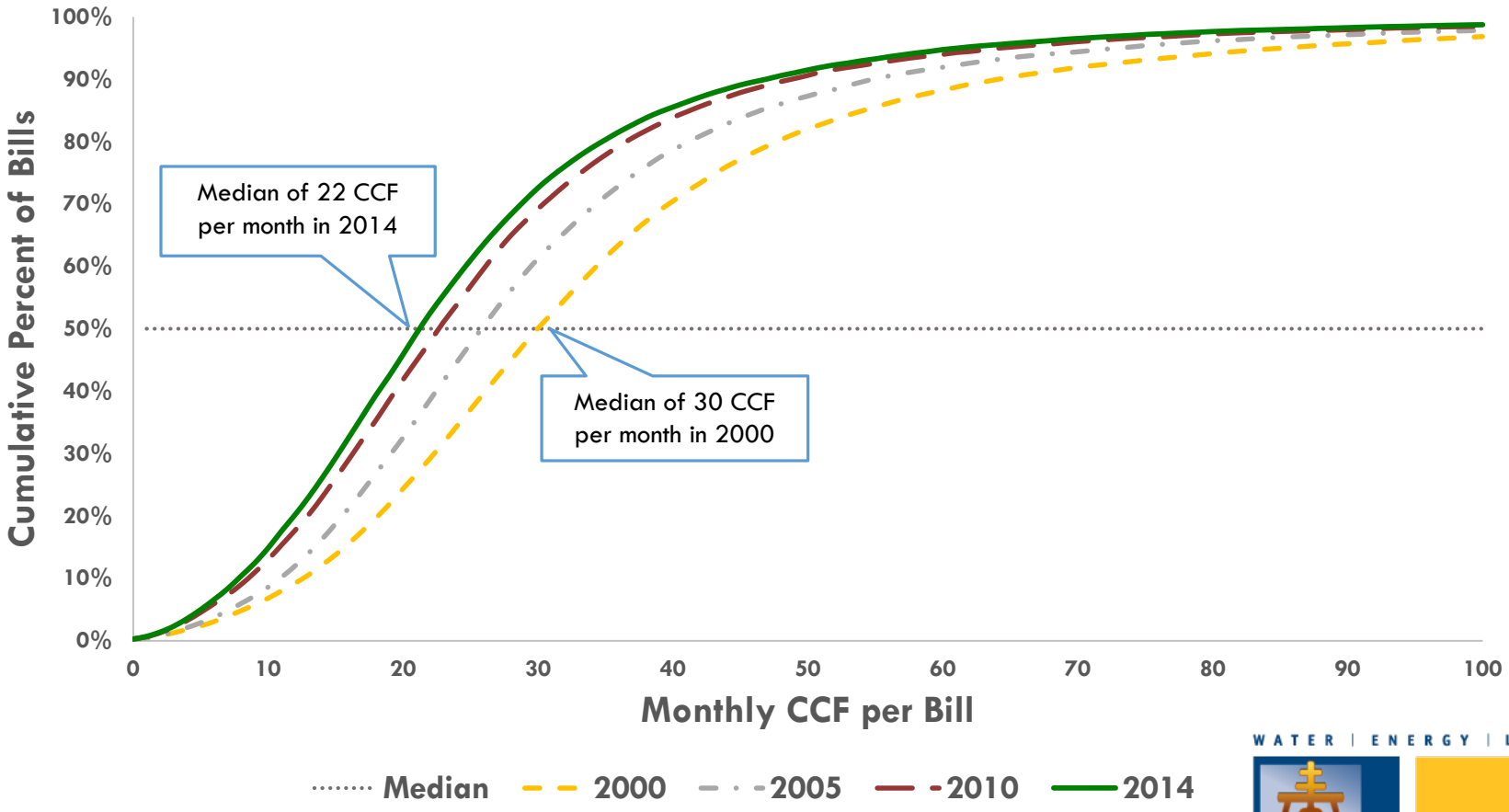
Water – Demand Distribution

Residential - Summer Only



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CITY OF RIVERSIDE PUBLIC UTILITIES

Reliability Charge

History of Reliability Charge

- Adopted Three-year Electric Utility Rate Plan
  - approved on December 4, 2007
- Overall Rate Plan to fund:
  - 192 MW internal generation units
  - substation interconnection with state's transmission grid
  - replacement of expiring contracts.
- Reliability Charge to fund debt service requirements for:
  - new transmission system
  - existing and new internal generation
- Improves Reliability and provides sufficient power
- All customers benefit

Presentation from 12/4/2007 City Council Meeting

CASH FLOW REQUIREMENTS (millions)

Fiscal Year	2007	2008	2009	2010
RERC 1&2	$7	$ 7	$ 7	$ 7
ACORN 1&2		$ 8	$ 8	$ 8
RTRP				$ 9
Subtotal		$15	$15	$24
Power		$ 5	$10	$15
ANNUAL COSTS		$20	$25	$ 39
Bond Issue	--	$200M	--	$220M

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MONTHLY RELIABILITY CHARGE

	RERC & Acorn 1/1/08	RTRP 1/1/10	Total
Sm Res (0-100 Amp)	$ 5	$ 5	$ 10
Med Res (101-200 Amp)	10	10	20
Lg Res (101-400 Amp)	20	20	40
Very Lg Res (>400 Amp)	30	30	60
Small Bus (Flat)	30	30	60
Medium Bus (Demand A)	45	45	90
Large Bus (TOU)	550	550	1,100
Revenue (Millions)	$12	$12	$24

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CITY OF RIVERSIDE PUBLIC UTILITIES

Reliability Charge

- Challenges:
  - RTRP delayed
  - Cost estimates for RTRP increasing
- Not set to expire- Intended to cover debt service of projects
- Not restricted- Will consider setting aside as a Reserve

Reliability Charge Structure

Customer	Monthly Charge
Residential:	
Small (0-100 Amp)	$10
Medium (101-200 Amp)	$20
Large (201-400 Amp)	$40
Very Large (>400 Amp)	$60
Small Business:	
Tier 1 (0-500 kWh)	$10
Tier 2 (501-1500 kWh)	$30
Tier 3 (> 1500 kWh)	$60
Medium Business	$90
Large Business	$1,100

$25 M Collected Annually

$161.7 M Collected through FY 2015

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Reliability Charge – Projects Funded and Related Debt Service

$321M –Estimated Total Project Costs

- RERC 1-4 $199M
- STP $20M
- RTRP $102M

$239M – Project Costs through FY 2014/15

- RERC 1-4 $199M (complete)
- STP $20M (complete)
- RTRP $20M

$630M – Projected Total Debt Service Costs

- RERC $386M
- RTRP / STP $244M

$106M – Debt Service Costs though FY 2014/15

- RERC $95M
- RTRP / STP $11M

$524M – Projected Total Debt Service Remaining

Reliability Charge – Revenue Collected vs. Debt Service Paid to Date

$162M – Reliability Charge Collected to Date

$19M – Less: General Fund Transfer

$143M – Net Reliability Charge Available for Debt Service

$106M – Debt Service Paid to Date

$37M – Net Reliability Charge Remaining

Estimated Reliability Charge Needed to Pay Remaining Debt Service Requirements

$37M – Net Collected Over Debt Service Paid to Date

$524M – Projected Total Debt Service Remaining

$487M – Additional Reliability Charge Needed to Cover Debt Service

$63M – Additional Reliability Charge to Cover GFT

$550M – Total Reliability Charge Needed to Cover DS & GFT

$25M – Annual Reliability Charge Revenue

25 Estimated Remaining Years to Pay Off Debt Service

Alternative Funding Examples in Lieu of Reliability Charge & Issuance of 30 Year Debt

$321M Total Estimated Generation/Transmission Project Costs

$64 M Per Year if Paid Over 5 Years

- The following rate increases would have been necessary to fund the generation and transmission projects - <u>in addition to base rate plan</u>:

Option 1: One Time Rate Increase First Year	Option 2: Rate Increase over 5 Years
• ~ 30% • Lasting for 5 years	• ~ 9% per year • Lasting for 5 years – cumulative increase ~53%

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CITY OF RIVERSIDE PUBLIC UTILITIES

RPU DEBT

CITY OF RIVERSIDE
Arts & Innovation

PFM®

About PFM

Debt Portfolio Summary

Origins of Variable-Rate Debt

Variable-Rate Debt Performance

Cash Reserve Considerations

Conclusion

PREMIER PUBLIC POWER AND WATER PRACTICE IN CALIFORNIA AND NATIONALLY

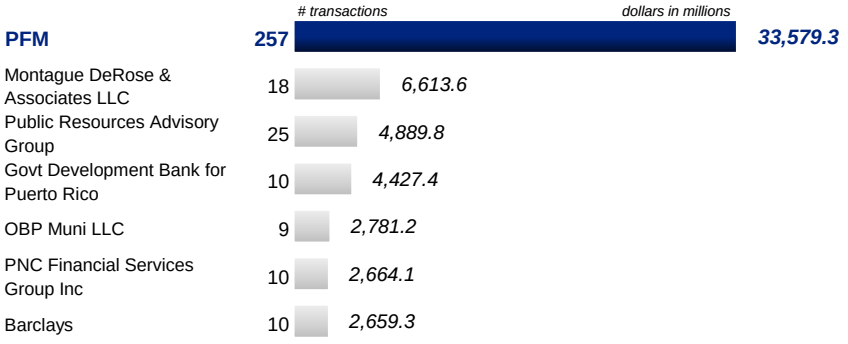
- PFM's committed California presence and focus on the utility sector has enabled us to successfully maintain long-term relationships with a large number of California utility clients
  - *As a result, we are intimately familiar with the issues faced and opportunities provided to California utilities*

PFM's Decade+ Relationships with California Utility Clients

Anaheim	Burbank Water and Power	Glendale Water & Power	NCPA	Redding Electric Utility	Riverside Public Utilities	Roseville Electric	SMUD	SCPPA	TANC	TID Water & Power
18 years	17 years	16 years	15 years	19 years	17 years	26 years	14 years	17 years	16 years	26 years

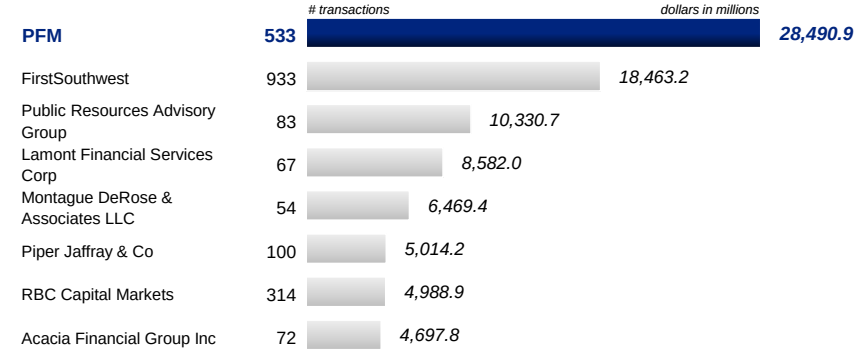
Public Power—2010-2014 Overall Long-Term Municipal New Issues

2010 - 2014 Public Power Long Term Municipal New Issues
National Municipal Financial Advisory Ranking - Equal to Each Financial Advisor
Source: Thomson Reuters



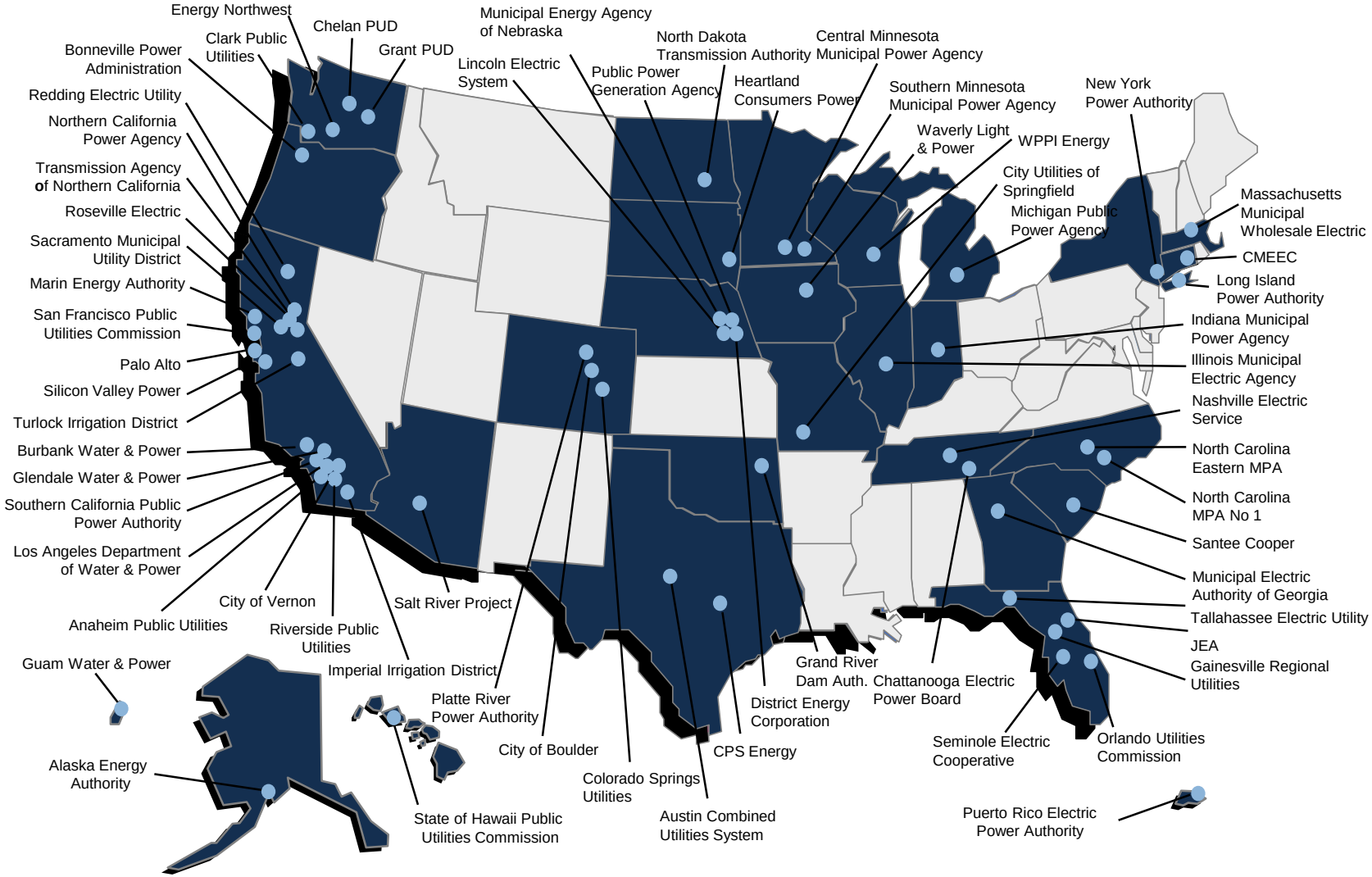
Water, Sewer & Gas—2010-2014 Overall Long-Term Municipal New Issues

2010 - 2014 Water Sewer & Gas Long Term Municipal New Issues
National Municipal Financial Advisory Ranking - Equal to Each Financial Advisor
Source: Thomson Reuters



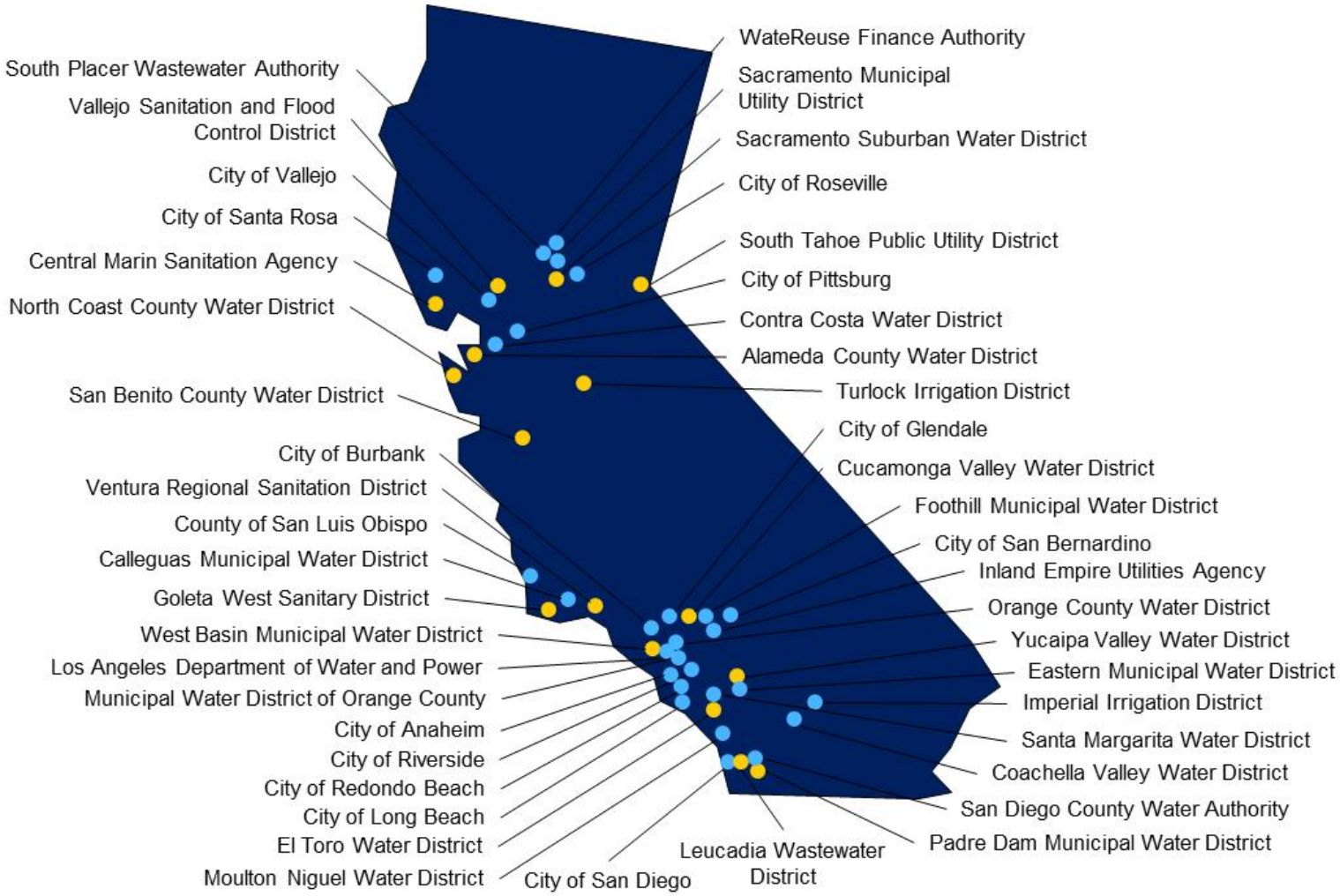
PREMIER PUBLIC POWER PRACTICE

Map of Select PFM National Public Power Clients



LEADING CALIFORNIA WATER/WASTEWATER PRACTICE

Map of Select PFM California Water/Wastewater Clients



About PFM

Debt Portfolio Summary

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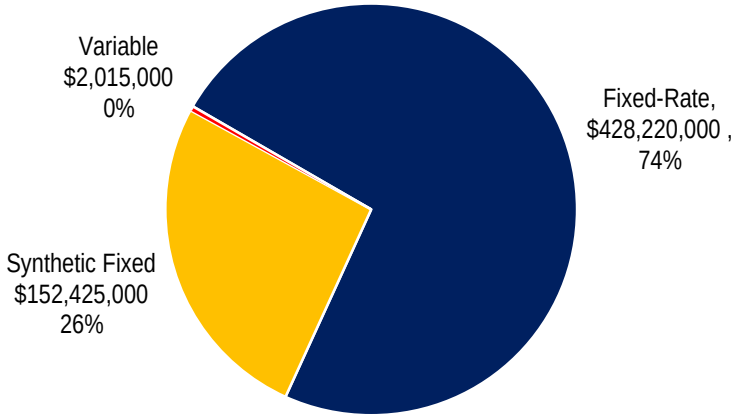
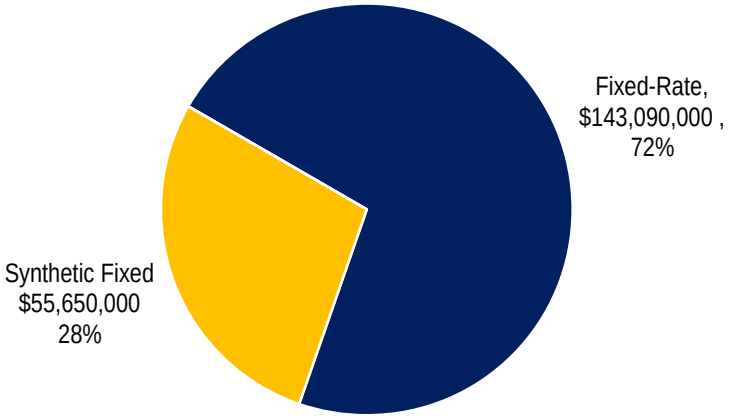
ELECTRIC AND WATER SYSTEM DEBT COMPOSITION

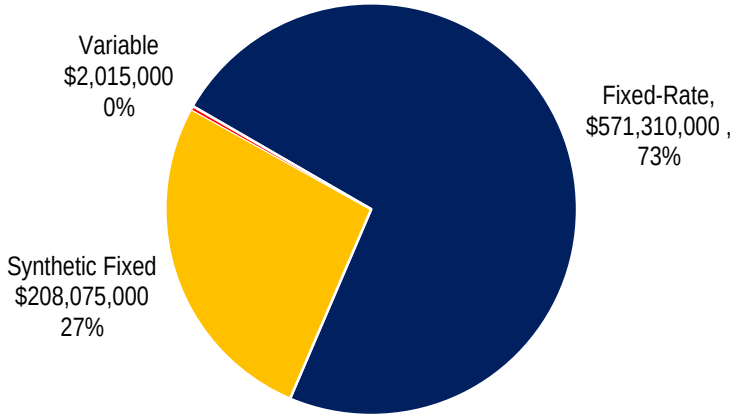
Electric System - $582.7 million



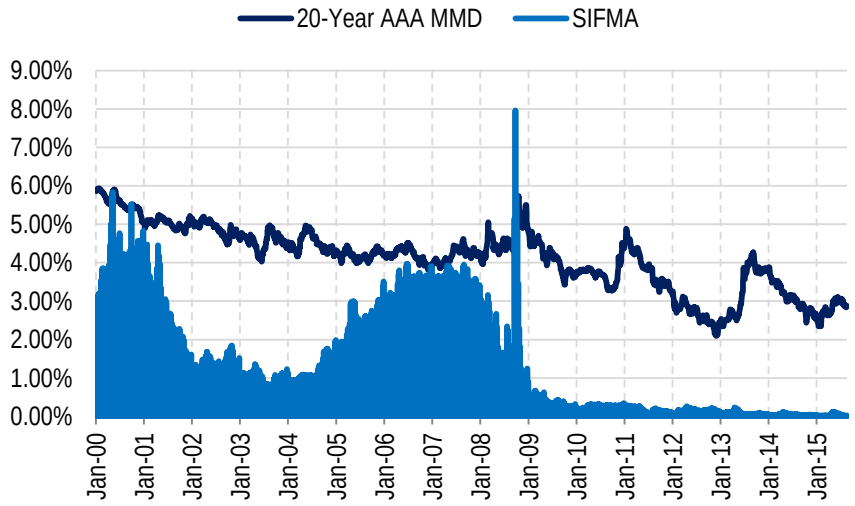
Water System - $198.7 million



Combined - $781.4 million

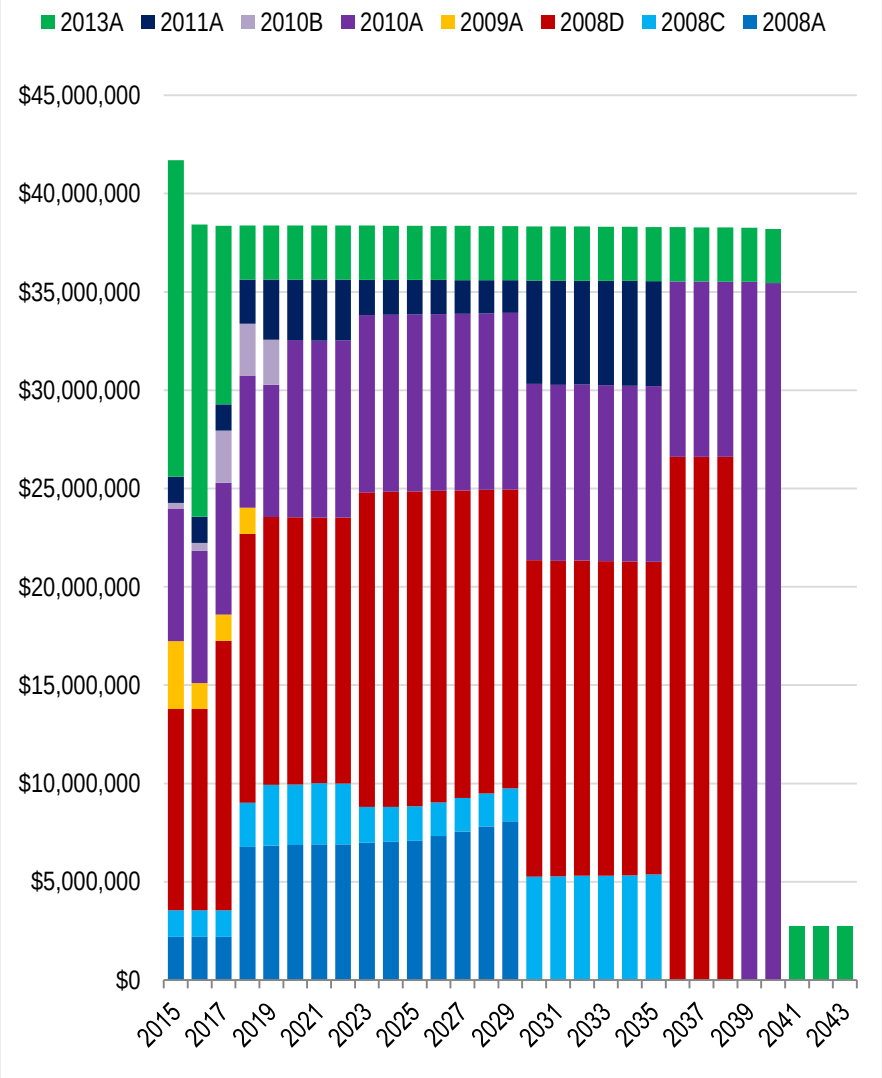


Fixed- versus Variable-Rate Comparison

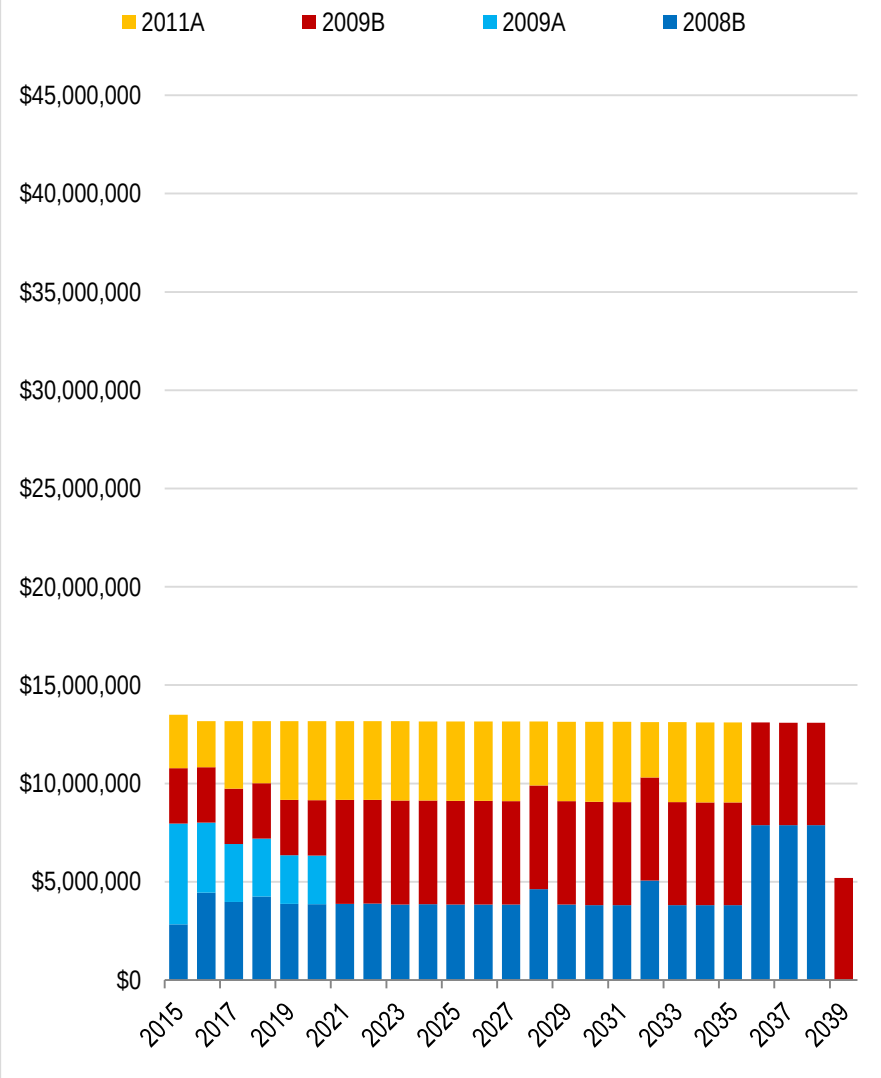


ELECTRIC AND WATER SYSTEM DIRECT DEBT SERVICE SCHEDULES—BY SERIES

Electric System Direct Debt Service



Water System Direct Debt Service

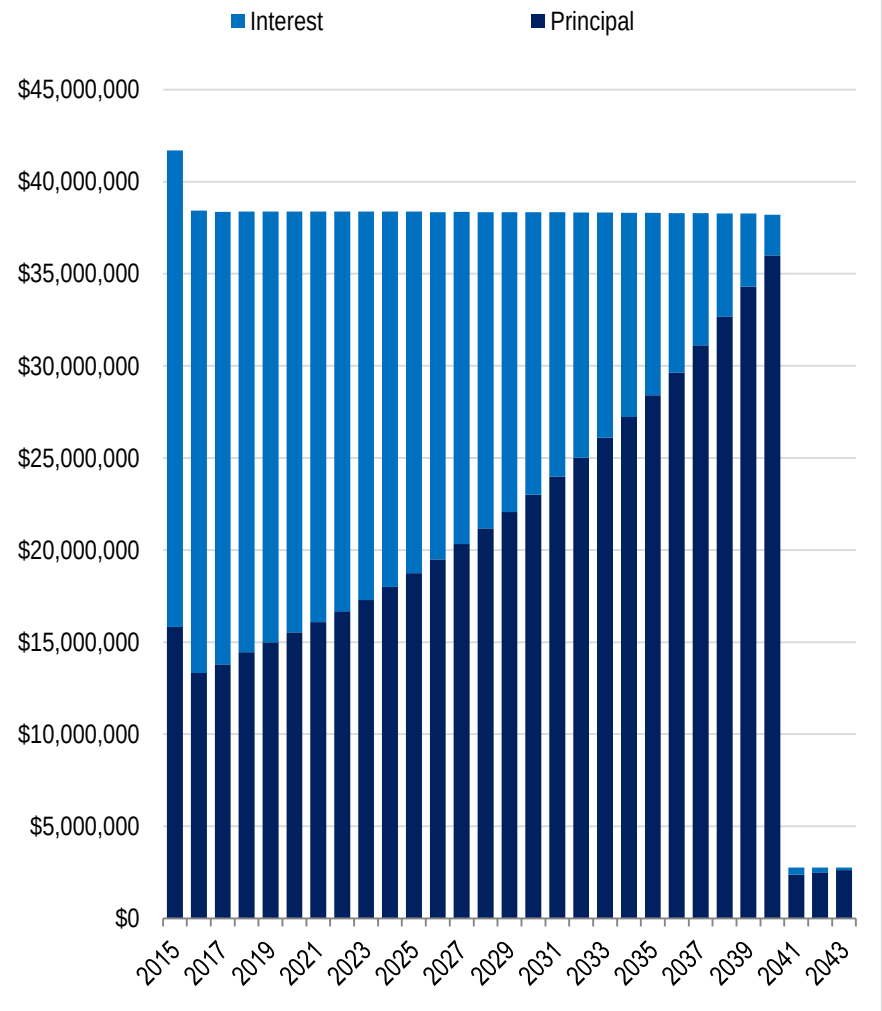


Synthetically fixed debt shown at swap rates. Liquidity and Remarketing fees not included. Unhedged variable-rate debt shown at 3.50%. BABs debt service shown net of subsidy and includes impact of 6.80% sequestration. Bond Year basis.

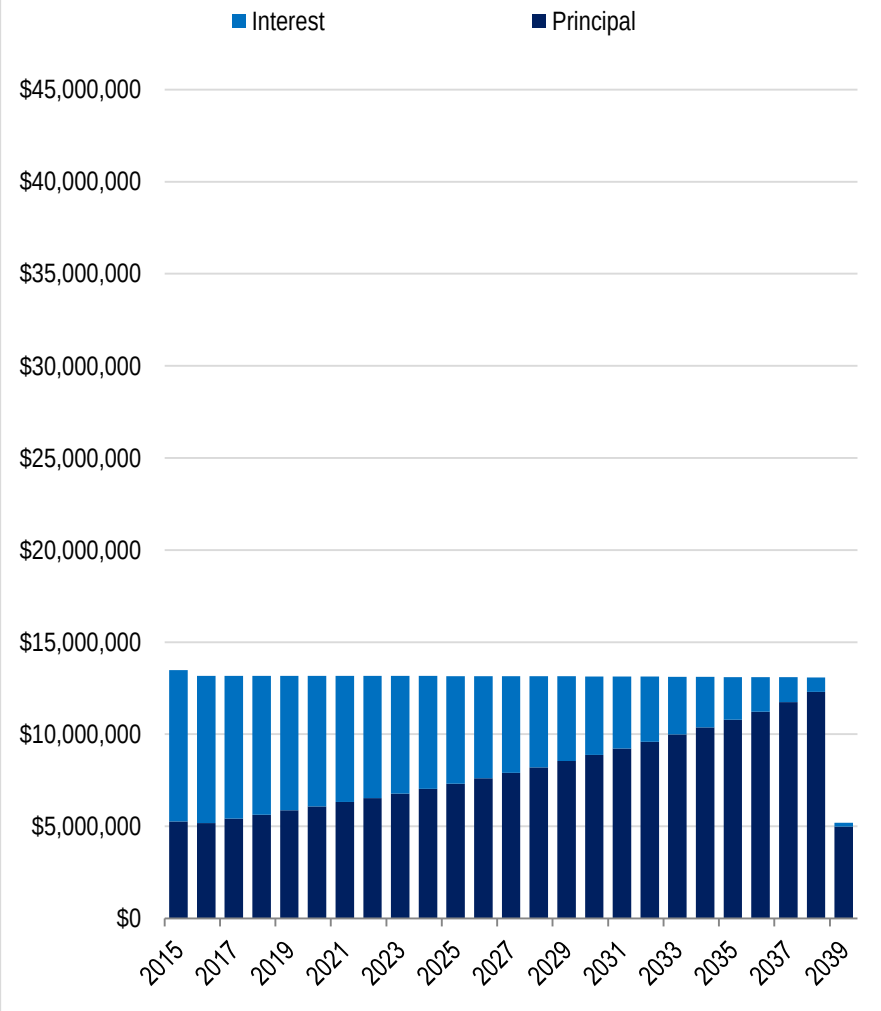
ELECTRIC AND WATER SYSTEM DIRECT DEBT SERVICE SCHEDULES—BY AMORTIZATION

- *The repayment rate for RPU's debt is almost identical to a typical 30-year fixed rate home mortgage*

Electric System Direct Debt Service



Water System Direct Debt Service



Synthetically fixed debt shown at swap rates. Liquidity and Remarketing fees not included. Unhedged variable-rate debt shown at 3.50%. BABs debt service shown net of subsidy and includes impact of 6.80% sequestration. Bond Year basis.

SUMMARY OF ELECTRIC AND WATER SYSTEM DEBT OUTSTANDING

Debt Summary											
Issue	Par Outstanding	Tax Status	Structure	Credit Facility	Remarketing	Purpose	Maturity Range	Coupon Range	Call Option	Swap	Swap Rate
Electric System											
2013A	$71,320,000	Tax-Exempt	Fixed	N/A	N/A	Multipurpose	2015-2043	4.000%-5.250%	10/01/2023	N/A	N/A
2011A	$41,925,000	Tax-Exempt	Variable	Direct Purchase Wells Fargo 35 bps	N/A	Refunding	2018-2035	Variable	Currently at Par	100%	3.201%
2010B	$7,090,000	Tax-Exempt Bank Qualified	Fixed	N/A	N/A	New Money	2016-2019	3.000%-5.000%	Non-Callable	N/A	N/A
2010A	$133,290,000	Taxable Build America Bonds	Fixed	N/A	N/A	New Money	2020-2040	6.015%-7.605%	Currently with Make-Whole at Treasury + 50 bps or Treasury + 100 bps in Extraordinary Events	N/A	N/A
2009A	$6,780,000	Tax-Exempt	Fixed	N/A	N/A	Refunding	2015-2018	4.000%-5.000%	Non-Callable	N/A	N/A
2008D	$209,740,000	Tax-Exempt	Fixed	N/A	N/A	New Money	2017-2038	3.625%-5.000%	10/01/2018	N/A	N/A
2008C	$41,975,000	Tax-Exempt	Variable	LOC Bank of America 39 bps	Bank of America 7 bps	Refunding	2018-2035	Variable	Currently at Par	100%	3.204%
2008A	$70,540,000	Tax-Exempt	Variable	LOC Barclays 27.5 bps	Bank of America 7 bps	Refunding	2018-2029	Variable	Currently at Par	97%	3.111%
Water System											
2011A	$55,650,000	Tax-Exempt	Variable	N/A	Negotiated	Refunding	2015-2035	Variable	Currently at Par	100%	3.200%
2009B	$67,790,000	Taxable Build America Bonds	Fixed	N/A	N/A	New Money	2021-2039	5.297%-6.349%	Currently with Make-Whole at Treasury + 35 bps or Treasury + 100 bps in Extraordinary Events	N/A	N/A
2009A	$17,065,000	Tax-Exempt	Fixed	N/A	N/A	Refunding	2015-2020	3.000%-5.000%	10/01/2019	N/A	N/A
2008B	$58,235,000	Tax-Exempt	Fixed	N/A	N/A	New Money	2016-2038	3.000%-5.000%	10/01/2018	N/A	N/A

SUMMARY OF VARIABLE-RATE DEBT OUTSTANDING

Variable-Rate Debt Summary											
Issue and Purpose	Par Outstanding	Tax Status	Structure	Credit Facility	Credit Facility Expiry	Remarketing	Ratings	Maturity Range	Coupon Range	Call Option	Amount Swapped and Swap Rate
Electric System											
2011A (Refunding Bonds)	$41,925,000	Tax-Exempt	Variable Indexed to 70% of 1-Month LIBOR	Direct Purchase Wells Fargo 35 bps	Continuing Covenant Agreement Expires 4/28/2017	N/A	N/A	2018-2035	Variable	Currently at Par	100% @ 3.201%
2008C (Refunding Bonds)	$41,975,000	Tax-Exempt	Variable Subject to Remarketing	Direct Pay LOC Bank of America 39 bps	3/24/2017	Bank of America 7 bps	S: A/A-1 F: AA+/F1 (AA- und.)	2018-2035	Variable Last Reset: 1 bps	Currently at Par	100% @ 3.204%
2008A (Refunding Bonds)	$70,540,000	Tax-Exempt	Variable Subject to Remarketing	Direct Pay LOC Barclays 27.5 bps	5/22/2017	Bank of America 7 bps	S: A-/A-2 F: AA+/F1 (AA- und.)	2018-2029	Variable Last Reset: 1 bps	Currently at Par	97% @ 3.111%
Water System											
2011A (Refunding Bonds)	$55,650,000	Tax-Exempt	Variable SIFMA Notes Subject to Remarketing	N/A	N/A	Negotiated	M: Aa2/VMIG1 S: A-1+ F: AA+/F1+	2016-2035	Variable Last Remarketing: SIFMA + 4 bps until 3/1/2016 then mandatory tender and remarketing	Next Par Call: 10/1/2015	100% @ 3.200%

SUMMARY OF OUTSTANDING SWAPS

Summary of Swap Portfolio							
Associated Issue	RPU Pays	RPU Receives	Trade Date	Effective Date	Maturity Date	MTM Value (As of 08/18/2015)	Current Notional
Electric System							
2011A	3.2010%	62.68% of USD-LIBOR + 0.12%	07/10/2013	09/01/2013	10/01/2035	($8,212,077)	$41,925,000
2008C	3.2040%	62.68% of USD-LIBOR + 0.12%	07/10/2013	09/01/2013	10/01/2035	($8,235,253)	$41,975,000
2008A	3.1110%	62.68% of USD-LIBOR + 0.12%	07/10/2013	09/01/2013	10/01/2029	($9,565,572)	$68,525,000
Water System							
2011A	3.2000%	62.68% of USD-LIBOR + 0.12%	09/15/2005	10/06/2005	10/01/2035	($9,463,675)	$55,650,000

Summary of Swap Portfolio Counterparty Risk			Summary of Swap Portfolio Interest Rate Risk (As of 08/18/2015)				
Associated Issue	Counterparty	Counterparty Ratings	Product	Replacement Rate	DV01	Weighted Avg. Life	PV01
Electric System							
2011A	JPMorgan Chase Bank, N.A.	Aa3/A+/AA-	Swap	1.59180%	$37,558	14.52	$51,032
2008C	JPMorgan Chase Bank, N.A.	Aa3/A+/AA-	Swap	1.59171%	$37,577	14.53	$51,078
2008A	Merrill Lynch Capital Services, Inc.	Baa1/A-/A	Swap	1.42785%	$39,547	9.09	$56,831
Water System							
2011A	JPMorgan Chase Bank, N.A..	Aa3/A+/AA-	Swap	1.53823%	$41,198	11.90	$56.949

CITY OF RIVERSIDE
Arts & Innovation

PFM®

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HISTORY OF VARIABLE-RATE DEBT

- *All of RPU's outstanding variable-rate debt originated between June 2004 and October 2005*
  - *The interest rate exposure of each of the four variable-rate series was hedged with an interest rate swap executed in mid-September 2005*

History of Variable-Rate Issuances

System	Electric			Water
	Series 2004B (Refinanced) Auction Rate Securities $82,500,000 New Money for RERC Swapped to Fixed ~1 Year After Issuance	Series 2005A (Refinanced) Auction Rate Securities $57,850,000 New Money for RERC and Advance Refunding of Series 1998 and 2001 Swapped to Fixed at Issuance	Series 2005B (Refinanced) Auction Rate Securities $57,875,000 New Money for RERC and Advance Refunding of Series 1998 and 2001 Swapped to Fixed at Issuance	Series 2005 (Refinanced) Auction Rate Securities $61,250,000 New Money for Water System and Advance Refunding of Series 1998 and 2001 Swapped to Fixed at Issuance
History	Series 2008A Variable-Rate Demand Obligations $84,515,000	Series 2008B (Refinanced) Variable-Rate Demand Obligations $57,275,000	Series 2008C Variable-Rate Demand Obligations $57,325,000	Series 2008A (Refinanced) Variable-Rate Demand Obligations $60,300,000
		Series 2011A Direct Purchase $57,275,000		Series 2011A SIFMA Notes $60,300,000
Current Status	$70,540,000 Outstanding Original LOC from Bank of America renewed at lower cost in 2011 and replaced with LOC from Barclays in 2014	$41,925,000 Outstanding Original Direct Purchase from Wells Fargo renewed at lower cost in 2014	$41,975,000 Outstanding Original LOC from Bank of America renewed at lower cost in 2011 and renewed again at lower cost in 2014	$55,650,000 Outstanding Remarketed in 2012, 2013, 2014 and 2015

THE INTEREST RATE SWAPS

- All four of RPU's interest rate swaps were executed in mid-September 2005
  - At the time, the 2004B bonds were unhedged and the 2005 bonds were about to be issued
  - The swaps effectively locked in fixed rates, similar to traditional fixed-rate bonds
  - Because of efficiencies associated with swap rates vs. traditional fixed bond rates, even when including reasonable estimates for the ongoing costs of maintaining the variable-rate bond programs, the "synthetic fixed-rate" structure created by the combination of variable-rate bonds and a swap, had a substantially lower cost

Hypothetical Fixed-Rate Borrowing Rates				
Issue	Hypothetical Traditional Fixed-Rate Bonds	Swap Rate	Added Annualized Costs Associated with Swap and Variable-Rate Debt	Savings from Swap vs. Traditional Fixed-Rate Bonds
Water System				
2005	4.58%	3.20%	0.50%	0.88%
Electric System				
2004A	4.48%	3.11%	0.50%	0.86%
2005A	4.58%	3.20%	0.50%	0.88%
2005B	4.58%	3.20%	0.50%	0.88%

- *The 0.85% to 0.90% advantage of the swap structure vs. traditional fixed-rate bond structure was expected to create over $2 million in savings annually initially*

- *The interest rate swaps have functioned exactly as anticipated, without any issues.* The variable-rate debt, particularly the initial Auction Rate Securities, presented challenges but the "synthetic fixed-rate" structure has nonetheless produced millions in interest cost savings for RPU when compared to the traditional fixed-rate bond alternative available at the time

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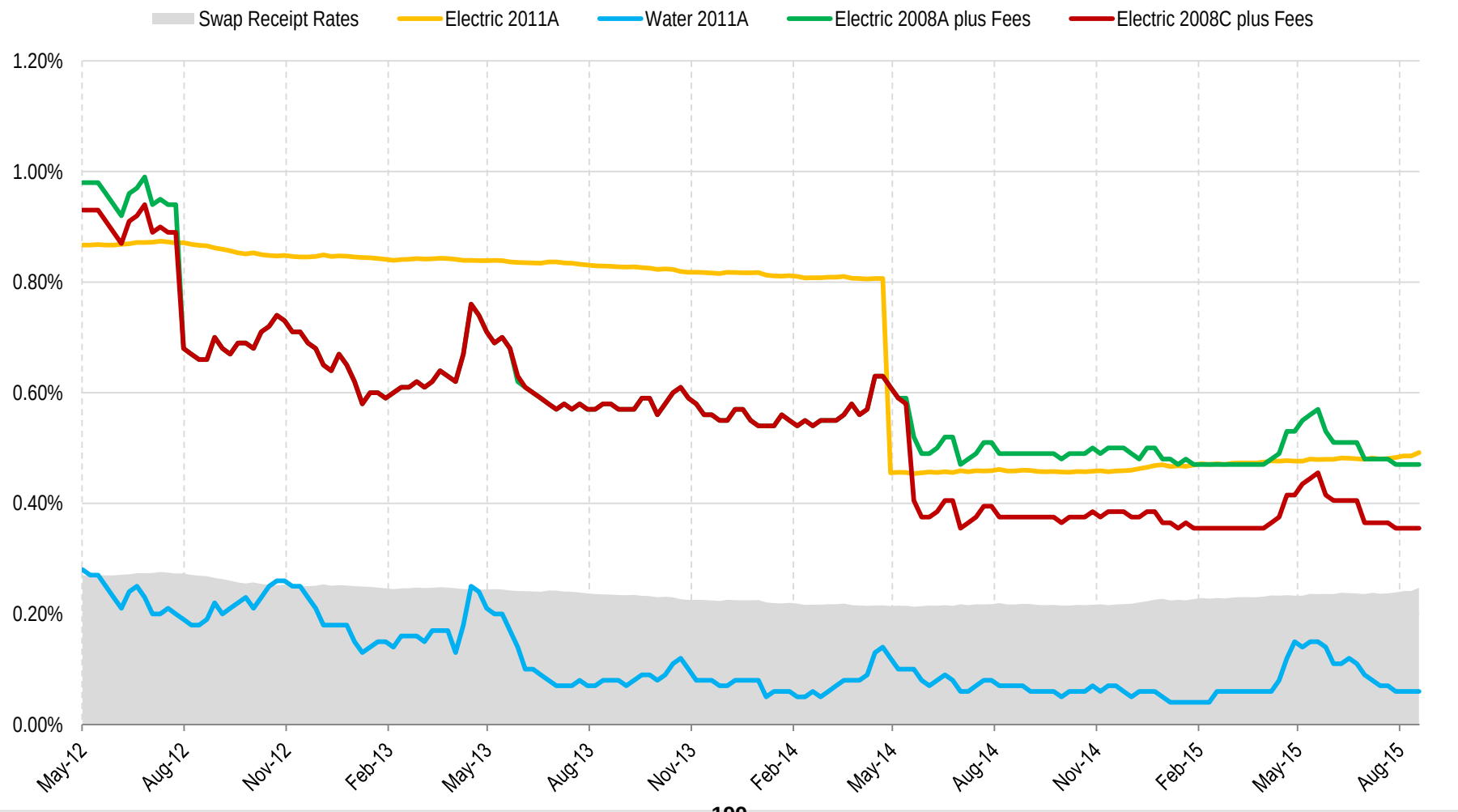
VARIABLE-RATE DEBT PORTFOLIO TRADING LEVELS

- *The four series of variable-rate debt have been trading well and the renegotiated extensions/replacements of liquidity fees and direct purchase pricing have substantially reduced costs*

Recent Variable-Rate Series Trading



COMPARISON OF SIFMA NOTES VS. VRDBS AND DIRECT PURCHASES

- *While the SIFMA Note program requires annual maintenance and outlay of expenses, they have proved very cost-effective*

Cost of Variable-Rate Products over Past Three Years			
	SIFMA Note	VRDB	Direct Purchase
Index	SIFMA	SIFMA	70% of 1mL
Average Benchmark	0.08%	0.08%	0.13%
Average Trading Spread	0.03%	-0.01%	-
Time Weighted Average Direct Purchase Spread to Index	-	-	0.55%
Time Weighted Average LOC Fee	-	0.38%	-
Remarketing Fee	-	0.07%	-
Total Annual Non-Issuance Costs (%)	0.11%	0.52%	0.68%
Total Annual Non-Issuance Costs ($)[1]	$62,178	$293,930	$384,370
Annualized Issuance Cost [2]	$150,000	$20,000 - $50,000	$20,000
Total Annual Costs	$212,178	$313,930 - $343,930	$404,370
Annual Savings	-	*($101,752) - ($131,752)*	*($192,192)*

[1] *Par Amount of $56,525,000 for Water System, Issue of 2011A assumed*
[2] *LOC and Direct Purchase renewal fee of $60,000 every three years assumed; LOC replacement fee of $150,000 every three years assumed*

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RATING AGENCY CASH RESERVE CONSIDERATIONS

- *Rating Agencies consider large reserve levels to be a strong credit positive*

Rating Agency Views on Cash Reserves						
Moody's						
Rating Category	AAA	AA	A	BBB	BB	B
Reserve Levels (All Utilities)	>250 Days' Cash	150-250 Days' Cash	35-150 Days' Cash	15-35 Days' Cash	7-15 Days' Cash	<7 Days' Cash
Fitch						
Rating Category	Stronger		Midrange		Weaker	
Reserve Levels (Water Utilities)	>365 Days' Cash		~180 Days' Cash		<90 Days' Cash	
Reserve Levels (Retail Electric Utilities)	>120 Days' Cash		60-90 Days' Cash		<60 Days' Cash	
Standard & Poor's[1]						
Rating Category	AAA	AA	A	BBB	BB	B
Reserve Levels (Water Utilities)	>150 Days Cash	90-150 Days' Cash	60-90 Days' Cash	30-60 Days' Cash	15-30 Days' Cash	<15 Days' Cash

[1] *Reserve levels shown here are from S&P's proposed rating criteria dated 12/10/2014.*

- For a water utility, reserves equal to ~365 days (1 year) of operating expenses are a common minimum for AAA or high AA rated enterprises

- For power utilities, reserves equal to ~180 days (1/2 year) of operating expenses are a common minimum for AA category enterprises (there are no AAA or high AA rated retail power utilities in California)

CASH RESERVE MEDIANS AND PEER UTILITIES

- *RPU's reserve levels are in line with sector medians and peer utilities*

Rating Category Day's Cash Medians[1]			
Rating Category	AAA	AA	A
Water and Sewer Utility Reserve Medians	481	442	366
Electric Retail Utility Reserve Medians[2]	-	182	92

[1] *Source: Fitch*
[2] *Fitch does not have any AAA rated Electric Retail Utilities*

Peer Utility Days' Cash Levels (FY2014)						
Water Utilities						
	Riverside Public Utilities	Irvine Ranch Water District	Inland Empire Utilities Agency	Anaheim Public Utilities	Eastern MWD	Calleguas MWD
Rating (M/S/F)	Aa2/AAA/AA+	Aa1/-/AAA	Aa2/AA-/-	-/AAA/AAA	Aa3/AA-/AA	Aa2/AAA/-
Days' Cash	816[1]	934[3]	439[2]	163[1]	628[1]	630[2]
Electric Utilities						
	Riverside Public Utilities	Pasadena Water & Power	LADWP	Anaheim Public Utilities	Sacramento Municipal Utility District	San Francisco Public Utilities Commission
Rating (M/S/F)	-/AA-/AA-	-/AA-/AA	Aa3/AA-/AA-	-/AA-/AA-	Aa3/AA-/AA-	-/A+/AA-
Days' Cash[3]	310	402	203	136	207	560

[1] *Source: Each Utility's respective CAFR*
[2] *Source: S&P*
[3] *Source: Fitch*

USE OF RESERVES

- Water and power utilities have many uses for cash reserves for the ratepayers long-term benefit

- *Maintaining prudent reserves has the following advantages:*
  - Protecting the system and customer base from unanticipated events
  - Minimizing the likelihood of being required to access more expensive sources of funding
  - Supporting high credit ratings that allow for access to low cost capital funding
    - Cash reserves have allowed RPU to avoid borrowing to fund Debt Service Reserve Funds which would have increased RPU's debt burden
  - Covering unanticipated operating/maintenance costs or timing issues that cannot be met with debt financing

- *Cash reserves can be used for system investments, which can be very effective:*
  - System investments may have a short useful life (e.g., technology or rolling stock) and are not appropriately financed with long-term debt
  - System investments may have a "private use" and cannot be funded with low-cost tax-exempt debt
  - Sometimes market conditions are such that cash funding is more advantageous than debt funding

- *Cash reserves can occasionally be effectively used for paying off debt*
  - If a utility is not planning to issue debt in the foreseeable future, paying off debt may generate a desirable rate of return. If the utility has future capital needs that require the use of debt along with pay as you go funding, utilizing reserves to fund capital typically generates a better return than defeasing debt
  - Occasionally paying off near-term debt can result in more optimal credit metrics for rating agencies

- *Reserves can also be effectively deployed for other purposes:*
  - Funding retirement benefit accounts
  - Prepaying other financial obligations (Power Purchase Agreements, fuel, etc.)
  - Purchasing strategic assets/property (real estate)

ECONOMICS OF USING CASH TO DEFEASE EXISTING DEBT

- *Cash defeasance of RPU's debt is not a particularly attractive use of RPU's cash reserves—at the moment, no issue of debt allows for a return of over 4% on RPU's cash*
  - If future borrowing is going to be necessary, using cash to reduce future borrowing would likely be more effective

Debt Defeasance Summary						
Issue	Par Outstanding	Structure	Term	Call Date	Escrow Cost (+ Any Swap Termination)	Rate of Return
Electric System						
2013A	$71,320,000	Fixed	28 years	10/01/2023	$67,929,205	*3.23%*
2011A	$41,925,000	Variable	20 years	Currently at Par	$56,131,416	*0.98%*
2010B	$7,090,000	Fixed	4 years	Non-Callable	$7,760,714	*1.07%*
2010A	$133,290,000	Fixed	25 years	Make-Whole Call	$220,503,594	*1.30%*
2009A	$6,780,000	Fixed	3 years	Non-Callable	$3,907,159	*0.83%*
2008D	$209,740,000	Fixed	23 years	10/01/2018	$233,349,128	*3.97%*
2008C	$41,975,000	Variable	20 years	Currently at Par	$55,666,698	*0.98%*
2008A	$70,540,000	Variable	14 years	Currently at Par	$86,682,624	*0.63%*
Water System						
2011A	$55,650,000	Variable	20 years	Currently at Par	$68,337,900	*0.80%*
2009B	$67,790,000	Fixed	24 years	Make-Whole Call	$97,934,243	*1.03%*
2009A	$17,065,000	Fixed	5 years	10/01/2019	$13,890,506	*1.30%*
2008B	$58,235,000	Fixed	23 years	10/01/2018	$64,657,714	*3.96%*

USING CASH TO OFFSET NEW BORROWINGS

- In today's market (late-August 2015), RPU could borrow money for the water system on a 30-year basis at about 4.00% and for the electric system on a 30-year basis at about 4.10%

- When compared to the 0.63% - 3.97% rates of return for paying off existing debt with cash, it is easier and more economic to use cash to avoid issuing new debt (to generate the 4.00% - 4.10% return)
  - The existing debt can be refinanced opportunistically for savings (further upside associated with not paying off existing debt with cash)
  - Moreover, use of cash to avoid future debt in-lieu of repayment of existing debt optimally allows for the avoidance of issuance fees

- *Every $25 million of new debt issued by RPU would cost RPU ratepayers about $1.5M per year for 30-years*
  - *In order maintain a Debt Service Coverage ratio of 2x (which is approximately RPU's Debt Service Coverage Ratio to maintain ratings), RPU would need to increase revenues by about $3 million per year*
  - *Generating $3 million in revenue would amount to ~1.1% rate increase for electric and ~5.4% for water*

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CONCLUDING THOUGHTS

- RPU has two very highly rated enterprises that if anything should be rated higher than they currently are
  - Power: Only one California public power enterprise has a rating higher than RPU (Pasadena rated AA by Fitch), otherwise, RPU (together with peers that share the same ratings) is the highest rated public power system in California
    - RPU has been building the case for the utility to be the highest rated public power system in California and RPU has had some traction with the agencies, however rating upgrades are always slow and there is a definite ceiling
  - Water: RPU has a AAA from S&P and two other very high ratings
    - RPU has been building a case for the utility to be rated AAA by all of the agencies and RPU has had some traction with Fitch, however rating upgrades are always slow and the water enterprise has an esteemed rating peer group (e.g. U.S. Treasury ratings)
- RPU's reserves are an important factor for the credit analysis and support RPU's efforts for higher ratings and low cost of borrowing
- Reserves have significant advantages for ratepayers: 1) minimize cost of capital, 2) protect against operational risks and disruptions and rate shocks, 3) allow the utility to capture strategic and economic opportunities
- RPU's debt burden is conservative (matches asset useful life, repaid in equal installments, all fixed or hedged against interest rate risk), the variable-rate portfolio was prudently structured and has been well maintained to minimize cost and risk to ratepayers
- If RPU were to spend down reserves, the best economic use would be for a strategic purposes first, for an offset to future borrowing second, and for redemption of existing debt third

Reserves

Goals of Financial Policies

- To mitigate risk
  - Rate / Revenue instability
  - Emergency with asset failure
  - Volatility in working capital
- To achieve/maintain a certain credit rating
- To determine most opportune time to issue debt

Importance of Financial Policies

- To maintain financial solvency
  - Provide a basis for coping with fiscal emergencies (revenue short-falls, asset failure, emergency, etc.)
- To provide guidelines for sound financial management with an overall long-range perspective
- To enhance financial management transparency
  - Improve public's confidence and elected officials' credibility

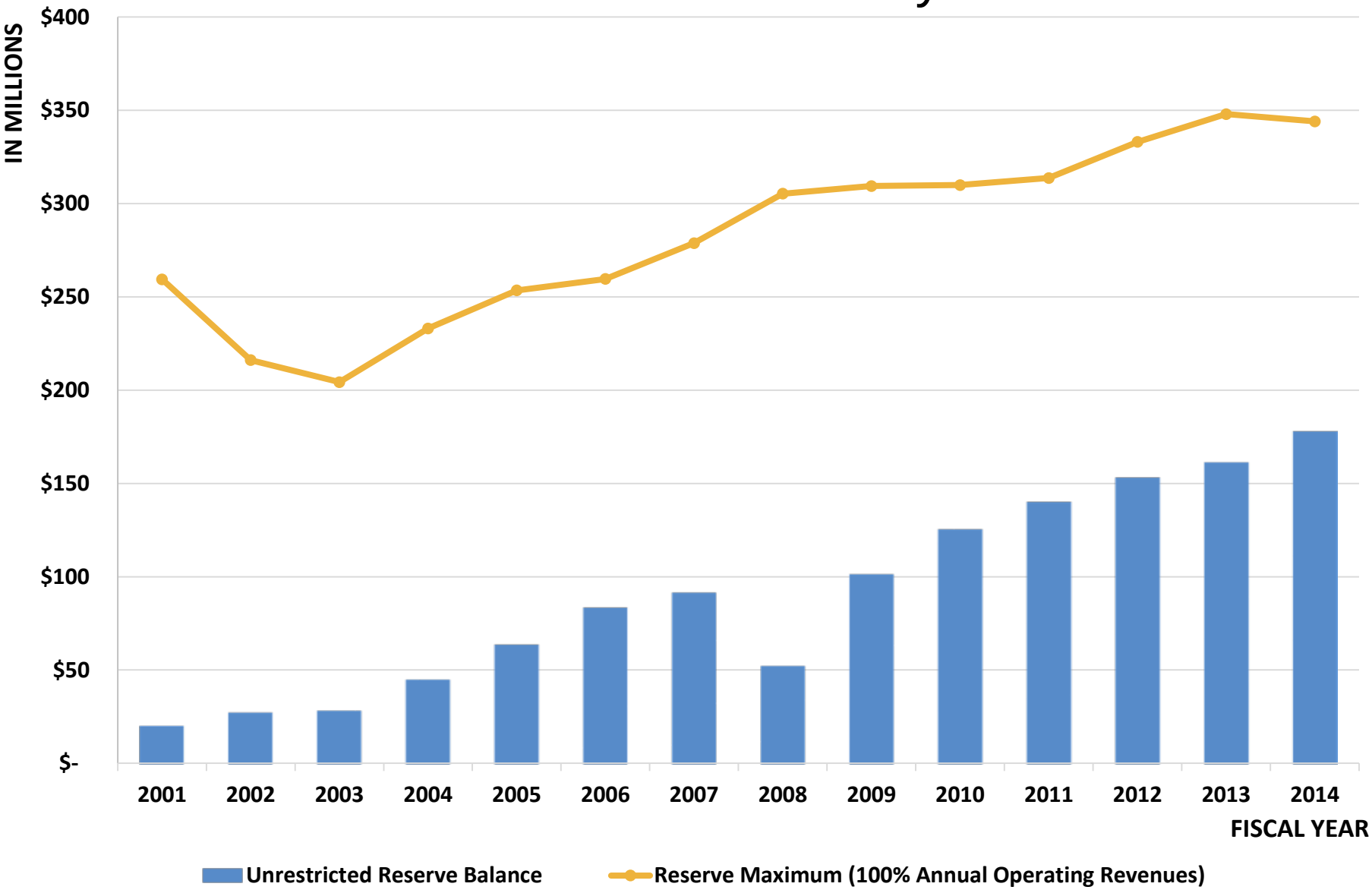
Why Do We Need Reserves?

- Nature of municipal utility system
  - Capital intensive
  - Highly fluctuating capital costs
  - Risk and liability → unknown liability costs
- Healthy reserve level → better credit ratings → lower interest rates for future debt

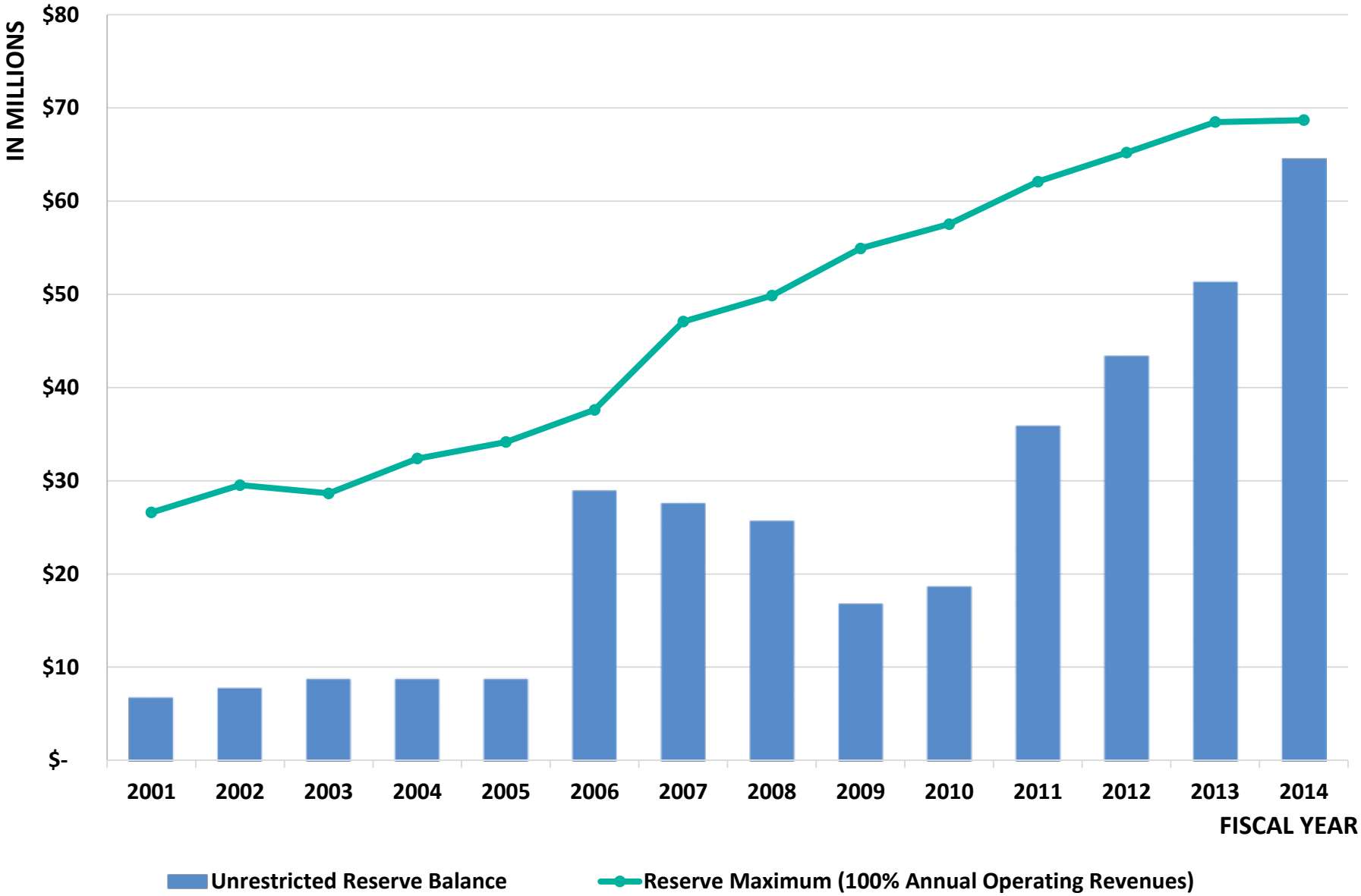
Current RPU Reserve Policy

- Approved by City Council in June 2001
  - Minimum Reserves – At least 3 months operating expenses
  - Maximum Reserves – One year of operating revenues
  - Reserve levels reviewed annually.
- In 2003 – City Council approved establishing Electric Fund internally restricted reserves: Operating, Regulatory Risk, Energy Risk Management
- In 2005 – Board of Public Utilities discussed reserving proceeds from sale of property to future purchases of property or other long-term capital assets.

Electric Fund
Unrestricted Reserves – Policy Guidelines



Water Fund
Unrestricted Reserves – Policy Guidelines



Reserve Policy – Best Practices

- Mitigate Risk – Risk Assessment
  - Predictable, unpredictable and unknown
- Risk mitigation is very entity specific
- Identify specific reserve types/needs
  - Working capital
  - Capital improvements
  - N-1 contingency
  - Emergency
  - Rate stabilization
  - Asset / liability balances
  - Market risk
  - Regulatory risk
- Determine and set minimum reserve level

Evaluation Process for New Reserve Policy – Minimum Reserves

Risk Mitigation Evaluation	Type of Reserves
Time lag between when operating expenses are incurred and revenues are received	Operating and Maintenance Reserve
Power resource cost uncertainty: Variation from load forecast; Uncertainties in transmission costs and resource adequacy; Fluctuation in market prices	Power Supply Reserve
Unexpected significant decreases in sales or increases in operating costs (drought restriction, new regulatory mandates, etc.)	Rate Stabilization
Aging capital assets and infrastructure (Springs, RERC, Clearwater, technology, utility vehicles, substations, etc.)	Capital Replacement and Refurbishment
Emergency capital needs and catastrophic events	Capital and Emergency Reserve
Carbon emissions, Water quality standards, Renewable standards, other regulatory mandates	Regulatory Reserve

Financial Planning & Reporting

Current Financial Planning Process

- Five-Year Financial Plan
- Based on Current Rate Plan
- Key Components
  - Projected Revenues
  - Projected Revenue Requirements (Expenses)
  - 5-Year Capital Improvement Program
- Evaluates
  - Potential Rate Increases
  - Potential Debt Issuance
  - Projected Financial Ratios
- Not structured to easily evaluate impacts of infrastructure and supply options

New 10 Year Pro-forma

Key Financial Targets

- **Debt Service Coverage (Debt)**
- **Days Cash on Hand (Reserves)**

Key Components

- **Projected Revenues**
- **Revenue Requirement (Expenses)**
- **Capital Improvement Program**

Source of Funding

- **Rates**
  - Bonds
  - Reserves
- **Others**

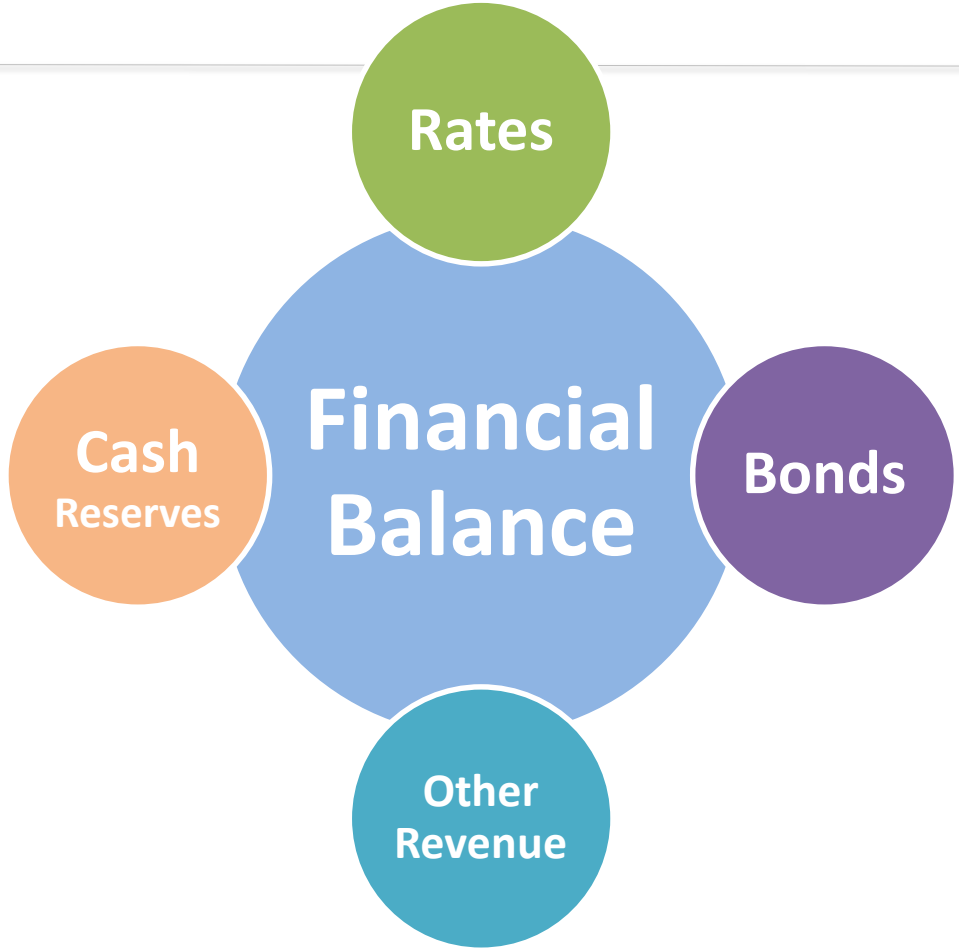
WATER | ENERGY | LIFE

CITY OF RIVERSIDE PUBLIC UTILITIES

How we use the Pro-Forma

- Provide Infrastructure and Supply Options for Planning and Decision Making
- Evaluate Impact of Options
  - Potential Rate Increase
  - Potential Debt Issuance
  - Projected Use of Reserves
  - Projected Financial Ratios (Days Cash / Debt Service Coverage)
- Incorporate Directions from City Council and Board

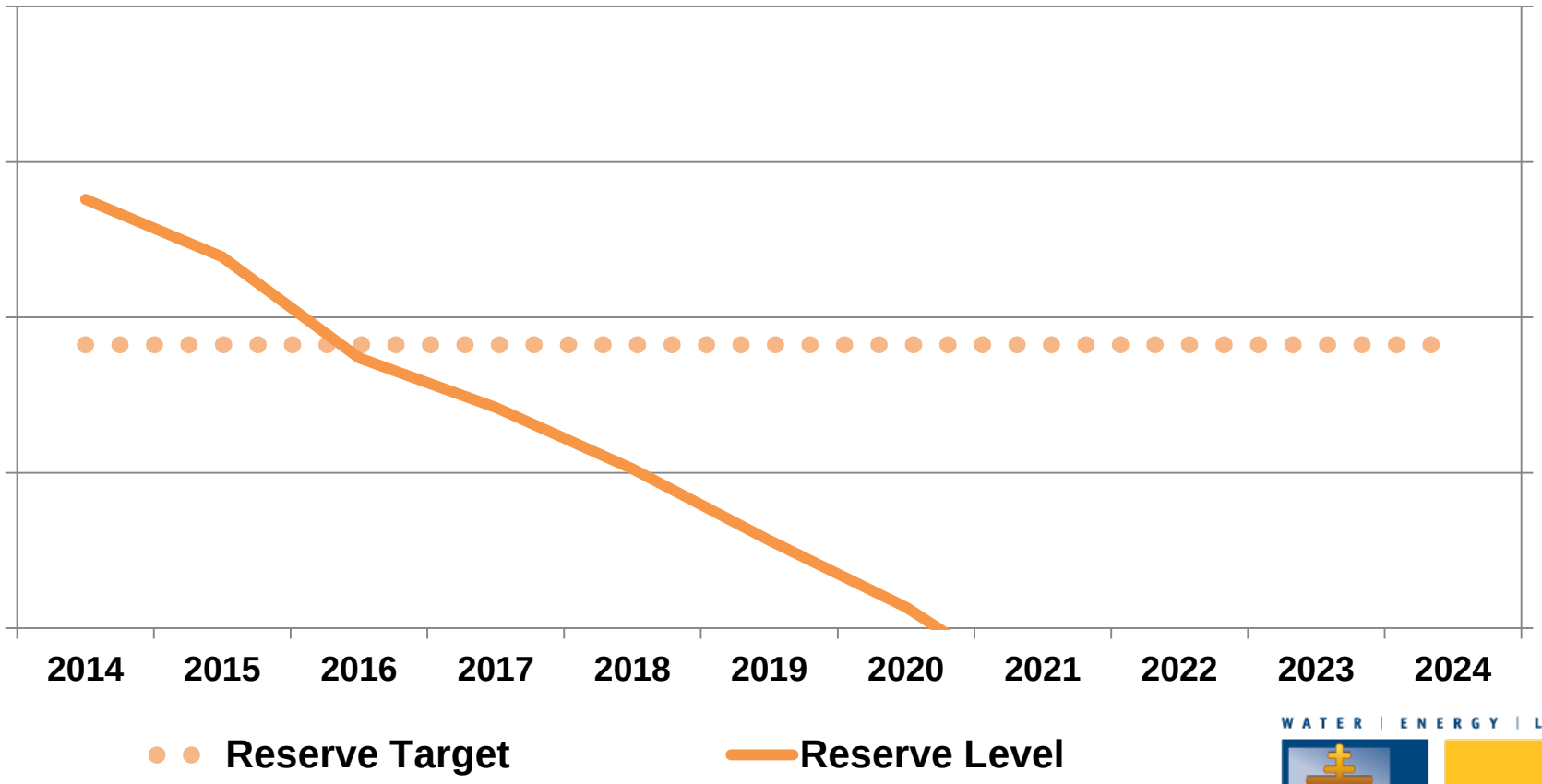
Putting it all together



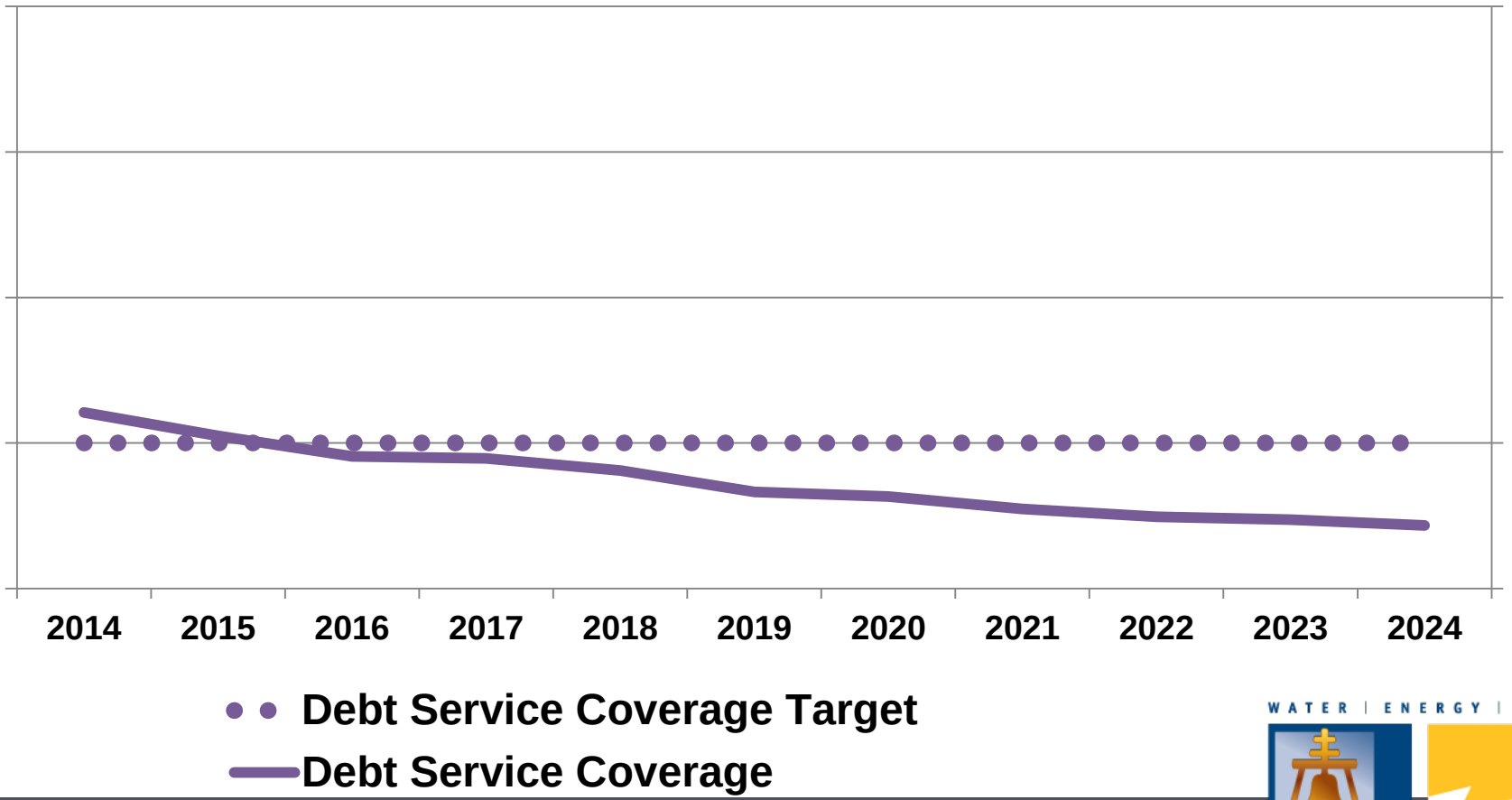
WATER | ENERGY | LIFE

CITY OF RIVERSIDE PUBLIC UTILITIES

Example: What happens to Reserves without a Rate Increase?

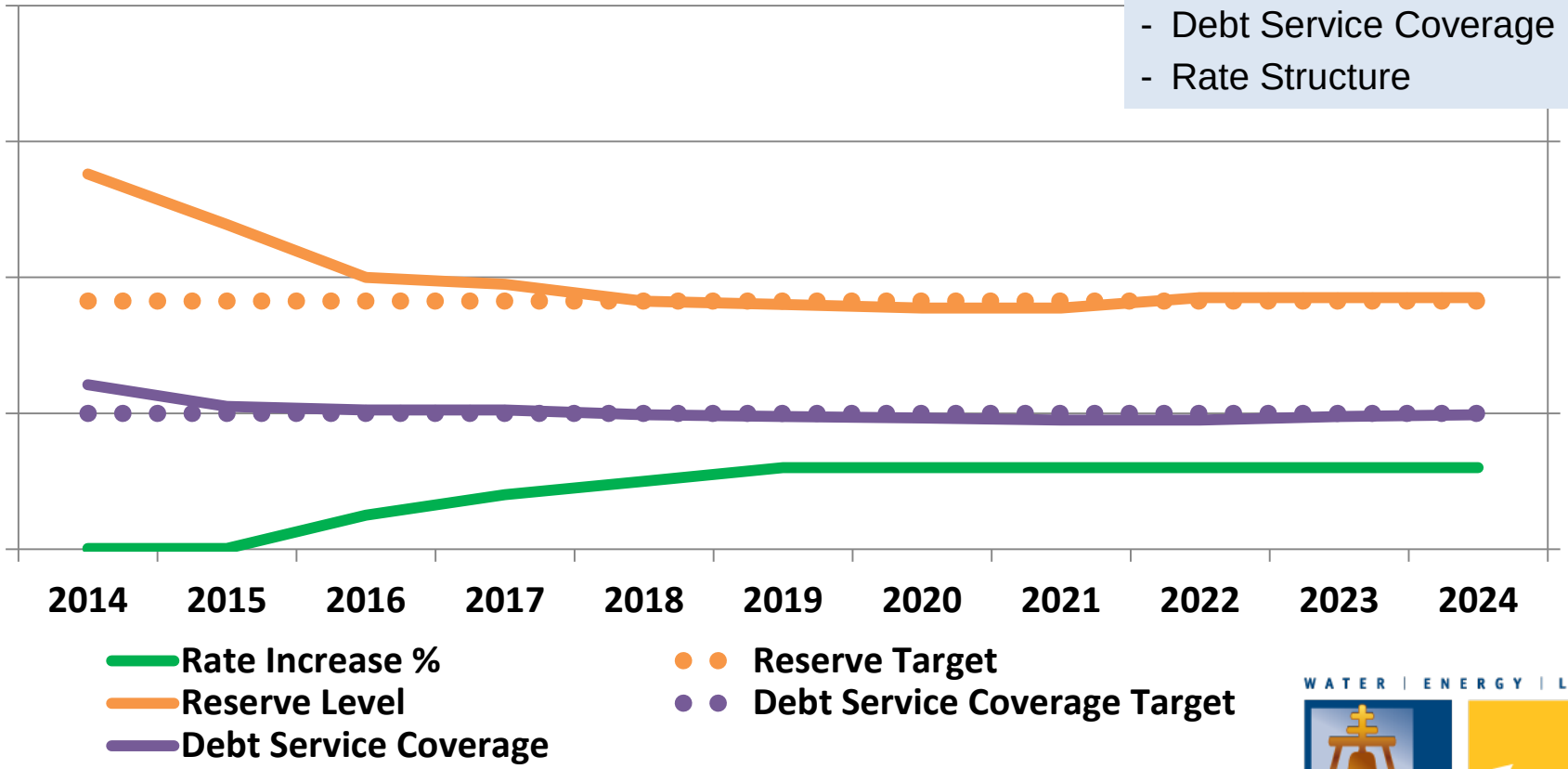


Example: What happens to Debt Service Coverage without Rate Increase?



Example: Rate Plans should comply with Fiscal Targets

City Council/Board Directions
- Capital Investment Options
- Reserve Levels
- Debt Service Coverage
- Rate Structure



Financial Reporting to Board

- Monitor costs of operations compared to budget
- Monitor capital improvement budget and related projects
- Report monthly financial position of RPU to the Board
- Monthly financial reports – very high level
  - Retail sales, operating expenses and cash balances
- Quarterly financial reports – expanded to include
  - Executive summary
  - Financial statements
  - Various ratio comparisons

Two-Page Executive Summary

MARCH FINANCIAL REPORT
EXECUTIVE SUMMARY

BACKGROUND:

These financial statements provide the Public Utilities Board with information about the operating performance and financial condition of Riverside Public Utilities. The Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows are presented in the Annual Report format. The Income Statement Analysis schedule which displays the relationship between revenues, expenses and the budget is also included. Each quarter, this analysis compares current year activity to the budget and the prior year. Attached is a PowerPoint graphic presentation of the financial results for the nine months ended March 31, 2015.

Electric Utility: Comparison to prior year

Retail sales were $230.7 million and were $6.9 million (3.1%) higher than prior year primarily from a 2.5% increase in load as a result of warmer weather patterns in the fall compared to prior year. (Graphs A-2 and A-5)

Transmission revenue of $23.0 million was $2.0 million (7.9%) lower than prior year due to a lower revised access charge rate applied by the California Independent System Operator (CAISO). (Page 3)

Power supply costs of $146.4 million were $1.4 million (0.9%) lower than prior year primarily due to lower generation costs as a result of a decline in natural gas prices. (Graph A-3)

Distribution operating expenses of $38.1 million were $0.8 million (2.0%) lower than prior year due to a decrease in general operating expenses. (Graph A-4)

Total cash balances of $421.2 million decreased by $6.5 million primarily due to the use of bond proceeds for capital projects offset by positive operating results. (Graph A-6)

Utility plant assets increased by $10.9 million primarily due to construction in progress and the completion of significant capital projects such as substation upgrades, transmission system improvements, and technology upgrades. (Page 4)

Unamortized purchased power increased by $3.4 million due to the prepayments of power supply costs related to the Salton Sea power purchase agreement and Hoover Uprating Project. (Page 4)

Deferred changes in derivative values and derivative instruments liability increased by $9.7 million and $9.1 million, respectively, due to an increase in the negative fair value of the Electric Utility's derivative instruments. (Pages 4 and 5)

Total net position increased by $23.6 million due to positive operating results from fiscal year ended June 30, 2014 and higher-than-anticipated operating revenues in the current fiscal year due to warmer weather patterns. (Page 5)

Long-term obligations, including the current portion, decreased by $16.5 million primarily due to principal payments made and amortization of bond premiums. (Page 5)

Accounts payable and other accruals decreased by $3.6 million due to a reduction in payables related to power supply costs. (Page 5)

Electric Utility: Comparison to budget

Retail sales were consistent with budget. (Graphs A-2 and A-5)

Power supply costs were $15.6 million (9.6%) lower than budget primarily due to lower than anticipated transmission costs, lower generation costs as a result of a decline in natural gas prices, and a decrease in SONGS ongoing maintenance costs. (Graph A-3)

Distribution operating expenses were $9.5 million (19.9%) below anticipated levels primarily due to timing of certain expenditures and savings in personnel costs, professional services, and other general operating expenses. (Graph A-4)

With 75% of the year completed, the Electric Utility spent 66% of its authorized operating budget. (Page 3)

1

Electric Utility: Overall financial condition

Comparative financial ratios are shown in Graphs A-8 through A-11. Overall, the Electric Utility financial metrics are stable and liquidity levels are strong.

Water Utility: Comparison to prior year

Retail sales of $44.6 million were $3.3 million (7.0%) lower than prior year due to an 8.1% decrease in consumption as a result of water conservation measures enacted due to current drought conditions. (Graphs A-13 and A-15)

Distribution operating expenses of $26.7 million were $0.4 million (1.5%) lower than prior year due to a decrease in general operating expenses as a result of reducing controllable expenses where possible to offset the reduction in revenues. (Graph A-14)

Total cash balances of $96.6 million decreased by $12.1 million primarily due to the use of bond proceeds for capital projects, offset by an increase in operating reserve resulting from prior year's positive operating results. (Graph A-16)

Utility plant assets increased by $22.6 million due to the completion and construction in progress of transmission and distribution system assets, as well as land acquisition. (Page 11)

Other receivables, including the current portion, decreased by $3.3 million, reflecting the first of three payments received in June 2014 from the settlement agreement against the City. Under the settlement agreement, the City agreed to pay the Utility $10 million over a three-year period beginning in fiscal year 2013-14. The offsetting deferred regulatory charge also decreased by $3.3 million. The funds received, reduced by related legal costs, have been set aside in an internally restricted account reserved for recycled water projects. (Pages 11, 12 and 15)

Deferred changes in derivative values and derivative instruments liability increased by $5.4 million and $5.1 million, respectively, due to an increase in the negative fair value of the Water Utility's derivative instruments. (Pages 11 and 12)

Total net position increased by $5.3 million due to the receipt of $3.3 million in June 2014 from the City on the settlement agreement and maintaining positive operating results by reducing controllable expenses in response to the reduction in operating revenues as a result of conservation measures taken by customers. (Page 12)

Long-term obligations, including the current portion, decreased by $5.5 million due to principal payments made on outstanding debt. (Page 12)

Note payable of $9.5 million is a result of the purchase of land with a subsequent lease back to Hillwood Enterprises for their development of the site. The note payable will be paid in the form of rent credits for the first 15 years under the terms of the lease agreement. (Page 12)

Water Utility: Comparison to budget

Retail sales were $0.3 million (0.7%) lower than budget due to a slightly lower-than-anticipated consumption as a result of conservation measures taken by customers. (Graphs A-13 and A-15)

Distribution operating expenses were $5.2 million (16.2%) lower than anticipated levels due to savings in water pumping and production costs as a result of lower consumption levels and reducing controllable expenses resulting in savings in personnel costs, professional services and other general operating expenses. (Graph A-14)

With 75% of the year completed, the Water Utility spent 59% of its authorized operating budget. (Page 10)

Water Utility: Overall financial condition

Comparative financial ratios are shown in Graphs A-18 through A-21. The Water Utility financial metrics are stable and liquidity levels remain strong.

2

Comparison Analysis

- Current to Budget
- Current to Prior
- Quarterly
- Year-to-Date

CITY OF RIVERSIDE
ELECTRIC UTILITY
INCOME STATEMENT ANALYSIS
FOR THE PERIOD ENDED MARCH 31, 2015
(75% of the year completed)

	QUARTERLY (in thousands)					YEAR-TO-DATE (in thousands)		
	CURRENT Jan-Mar 2015	BUDGET Jan-Mar 2015	PRIOR Jan-Mar 2014	TOTAL BUDGET FY 14/15	CURRENT YTD AS % OF TOTAL BUDGET	CURRENT Mar 2015	BUDGET Mar 2015	PRIOR Mar 2014
OPERATING REVENUES:								
RESIDENTIAL SALES	$ 24,042	$ 26,028	$ 23,741	$ 115,844	77%	$ 89,622	$ 90,054	$ 86,509
COMMERCIAL SALES	15,410	15,755	15,103	69,131	75%	52,041	52,079	50,557
INDUSTRIAL SALES	25,354	25,460	25,267	112,995	75%	84,843	85,012	82,631
OTHER SALES	1,307	1,324	1,151	5,691	74%	4,231	4,244	4,122
WHOLESALE SALES	-	-	4	-	0%	46	-	114
TRANSMISSION REVENUE	6,591	6,914	6,585	31,000	74%	23,006	23,715	24,971
OTHER OPERATING REVENUE	1,609	1,971	1,999	7,987	75%	5,967	6,073	4,824
PUBLIC BENEFIT PROGRAMS	1,924	1,966	1,885	8,706	77%	6,672	6,634	6,470
TOTAL OPERATING REVENUES, BEFORE UNCOLLECTIBLES	76,237	79,418	75,735	351,354	76%	266,428	267,811	260,198
ESTIMATED UNCOLLECTIBLES	(152)	(298)	(245)	(1,193)	75%	(899)	(894)	(898)
TOTAL OPERATING REVENUES, NET OF UNCOLLECTIBLES	76,085	79,120	75,490	350,161	76%	265,529	266,917	259,300
OPERATING EXPENSES:								
MANAGEMENT SERVICES	672	2,074	1,402	8,294	45%	3,712	6,221	4,967
UTILITY BUS SUPPORT	721	709	477	2,836	51%	1,445	2,127	794
BILLING SERVICES	105	179	254	716	44%	314	537	769
FIELD SERVICES	847	1,120	756	4,479	55%	2,444	3,359	2,384
CUSTOMER SERVICES	908	1,093	952	4,373	67%	2,941	3,279	2,706
MARKETING/COMMUNICATIONS	521	720	586	2,880	54%	1,566	2,160	2,824
PRODUCTION AND OPERATIONS	1,705	1,964	1,508	7,856	68%	5,326	5,892	4,918
FIELD OPERATIONS	3,089	3,788	3,812	15,152	60%	9,070	11,364	9,465
ENERGY DELIVERY ENGINEERING	1,085	1,061	870	4,242	68%	2,888	3,182	2,619
CUSTOMER ENGINEERING	615	706	703	2,826	69%	1,941	2,119	1,969
POWER RESOURCES	2,187	2,456	1,655	9,822	66%	6,476	7,367	5,493
PURCHASED POWER:								
TRANSMISSION	13,320	14,455	12,291	57,821	68%	39,252	43,365	38,990
GENERATION	29,245	36,848	31,961	156,060	69%	107,099	118,559	108,733
PUBLIC BENEFIT PROGRAMS	1,402	3,371	1,784	13,484	28%	3,717	10,113	5,325
DEPRECIATION	7,024	7,020	6,775	28,081	75%	21,065	21,061	20,325
TOTAL OPERATING EXPENSES	63,446	77,564	65,786	318,922	66%	209,256	240,705	212,281
OPERATING INCOME	12,639	1,556	9,704	31,239	180%	56,273	26,212	47,019
NON-OPERATING REVENUES (EXPENSES):								
INVESTMENT INCOME	1,113	1,432	1,070	5,729	57%	3,238	4,297	4,123
INTEREST EXPENSE	(6,733)	(7,094)	(6,887)	(28,376)	70%	(19,978)	(21,282)	(21,669)
GENERAL FUND CONTRIBUTIONS	(9,545)	(9,545)	(9,676)	(38,178)	75%	(28,634)	(28,634)	(29,028)
GAIN ON SALE OF ASSETS	14	139	12	557	29%	160	418	376
OTHER	668	749	793	2,995	75%	2,238	2,246	2,803
TOTAL NON-OPERATING EXPENSES	(14,483)	(14,319)	(14,688)	(57,273)	75%	(42,976)	(42,955)	(43,395)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(1,844)	(12,763)	(4,984)	(26,034)	-51%	13,297	(16,743)	3,624
CAPITAL CONTRIBUTIONS	529	378	1,030	1,512	96%	1,458	1,134	2,252
NET INCOME (LOSS)	$ (1,315)	$ (12,385)	$ (3,954)	$ (24,522)	-60%	$ 14,755	$ (15,609)	$ 5,876

Statements of Net Position
(Balance Sheet)

City of Riverside Electric Utility

STATEMENTS OF NET POSITION

	March 31 2015	March 31 2014
	(in thousands)	
Assets and deferred outflows of resources		
Noncurrent assets:		
Utility plant:	$ 914,573	$ 880,902
Less accumulated depreciation	(312,428)	(288,526)
	602,145	592,376
Land	8,717	7,683
Intangibles	10,651	10,651
Construction in progress	72,226	72,088
Total utility plant	693,739	682,798
Restricted assets:		
Cash and investments at fiscal agent	152,536	187,634
Other non-current assets:		
Advances to other funds of the City	5,800	5,742
Net pension asset	11,450	11,954
Unamortized purchased power	4,441	1,571
Regulatory assets	17,254	18,149
Total other non-current assets	38,945	37,416
Total non-current assets	885,220	907,848
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	230,014	208,251
Accounts receivable, less allowance for doubtful accounts 2015 $829; 2014 $1,059	32,946	30,070
Advances to other funds of the City	765	1,134
Accrued interest receivable	874	730
Inventory	1,202	1,202
Prepaid expenses	19,035	20,607
Unamortized purchased power	496	-
Total unrestricted current assets	285,332	261,994
Restricted assets:		
Cash and cash equivalents	26,834	22,384
Public Benefit Programs - cash and cash equivalents	11,774	9,456
Public Benefit Programs receivable	887	777
Total restricted current assets	39,495	32,617
Total current assets	324,827	294,611
Total assets	1,210,047	1,202,459
Deferred outflows of resources:		
Deferred changes in derivative values	23,913	14,226
Deferred loss on refunding	12,191	13,622
Total deferred outflows of resources	36,104	27,848
Total assets and deferred outflows of resources	$ 1,246,151	$ 1,230,307

City of Riverside Electric Utility

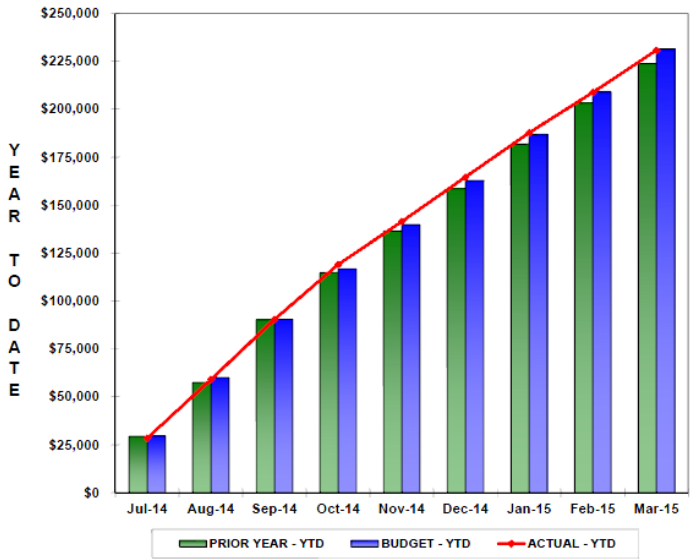
STATEMENTS OF NET POSITION

	March 31 2015	March 31 2014
	(in thousands)	
Net position and liabilities		
Net position:		
Net investment in capital assets	$ 189,296	$ 200,154
Restricted for :		
Regulatory requirements	6,377	2,088
Debt service	20,457	20,296
Public Benefit Programs	12,683	10,233
Unrestricted	269,917	242,377
Total net position	498,730	475,148
Long-term obligations, less current portion	576,381	593,751
Other non-current liabilities:		
Compensated absences	830	762
Capital leases payable	973	1,691
Derivative instruments	29,685	20,584
Nuclear decommissioning liability	77,623	74,509
Advances from other funds of the City-pension obligation	10,719	11,284
Postemployment benefits payable	5,749	4,928
Total other non-current liabilities	125,579	113,758
Current liabilities payable from restricted assets:		
Accrued interest payable	12,120	12,410
Current portion of long-term obligations	15,825	14,920
Total current liabilities payable from restricted assets	27,945	27,330
Current liabilities:		
Accounts payable and other accruals	12,603	16,196
Customer deposits	4,445	4,124
Unearned revenue	468	-
Total current liabilities	17,516	20,320
Total liabilities	747,421	755,159
Total net position and liabilities	$ 1,246,151	$ 1,230,307

Retail Sales and Operating Expenses

Trend and Comparison with Budget and Prior Year

ELECTRIC UTILITY
RETAIL SALES REVENUE
FOR THE PERIOD ENDED MARCH 31, 2015
(In Thousands)



Actual to Prior: Year-to-date actual retail sales of $230.7M are $6.9M (3.1%) higher than prior year primarily from 2.5% increase in load as a result of warmer weather patterns in the fall compared to prior year.

Actual to Budget: Year-to-date actual retail sales are consistent with budget.

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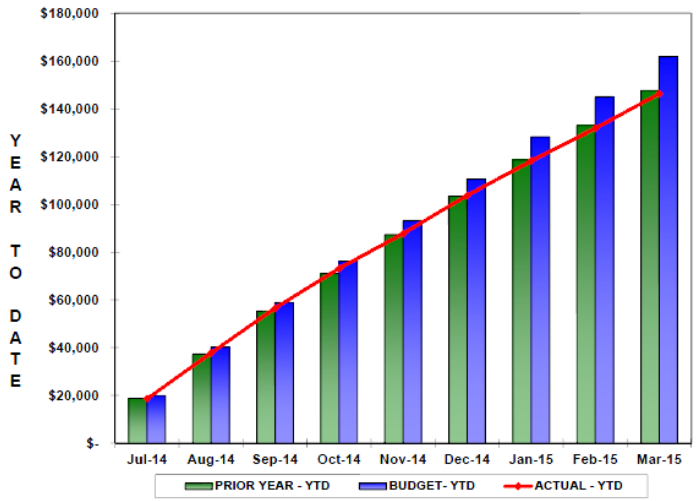
A-2

ELECTRIC UTILITY
POWER SUPPLY EXPENSES
FOR THE PERIOD ENDED MARCH 31, 2015
(In Thousands)



Actual to Prior: Year-to-date power supply costs of $146.4M are $1.4M (0.9%) lower than prior year primarily due to lower generation costs as a result of a decline in natural gas prices.

Actual to Budget: Year-to-date power supply costs are $15.6M (9.6%) lower than budget primarily due to lower than anticipated transmission costs, lower generation costs as a result of a decline in natural gas prices, and a decrease in SONGS ongoing maintenance costs.

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A-3

Flow of Funds and Cash Balances

Electric Utility
Flow of Funds - Actual
(For the Nine Months Ended March 31, 2015)

BEGINNING CASH BALANCES - $321.1M

SOURCES - $279.9M

- Cash Sales - $269.7M
- Investment Income - $6.1M
- Other - $2.4M
- Capital Contributions - $1.7M

↓

OPERATING EXPENSES, PURCHASED POWER, & OTHER PAYMENTS - $(189.7)M

↓

BALANCE - $90.2 M

↓

DEBT SERVICE - $(29.7)M

↓

CAPITAL/EQUIPMENT - $(23.4)M

- Bonds $(19.5)M
- Cash $(3.9)M

↓

GENERAL FUND TRANSFER - $(28.6)M

↓

NET INCREASE TO CASH BALANCES - $8.5M

- Unrestricted – $19.0M
- *Restricted – $(10.5)M

ENDING CASH BALANCES - $329.6M

*Excludes legally restricted cash and investments at fiscal agent of $91.6M

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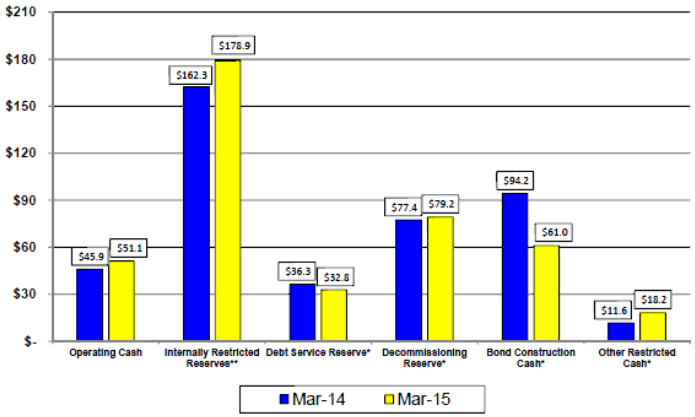
A-1

ELECTRIC UTILITY
CASH BALANCES
MARCH 31, 2014 AND 2015
(In Millions)

Total Cash 3/31/14 – $427.7M
Total Cash 3/31/15 – $421.2M



Total cash balances are $6.5M lower than prior year primarily due to the use of bond proceeds for capital projects offset by positive operating results.

* Legally restricted for specific purposes. Other Restricted Cash includes reserves for Public Benefits and Regulatory Requirements.

** The components of these accounts are as follows:	FY 13/14	FY 14/15
Regulatory Risk Reserve	$ 15.0	$ 15.0
Energy Risk Management Reserve	$ 30.0	$ 30.0
Operating Reserve	$ 116.0	$ 131.0
Decommissioning Reserve	$ 1.3	$ 2.9
Total Reserves	$ 162.3	$ 178.9

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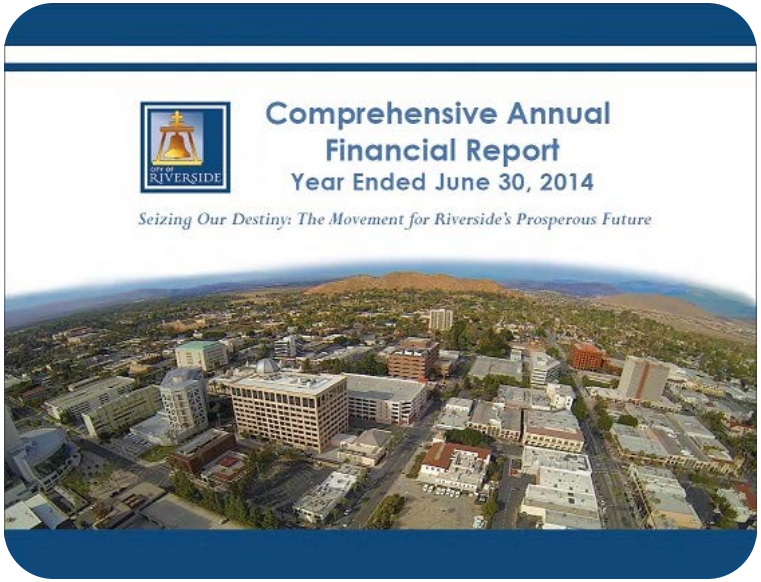
A-6

Comprehensive Annual Financial Report (CAFR)

- Part of City's year-end close process
- Included with City's annual audit by external auditors
- Enterprise Funds reporting on City's CAFR



RPU Annual Financial Report

- Separate internally prepared financial statements
- Audited by independent auditors
- Required for annual continuing bond disclosures
- Available on RPU's website starting with FY 1987

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Other Communications

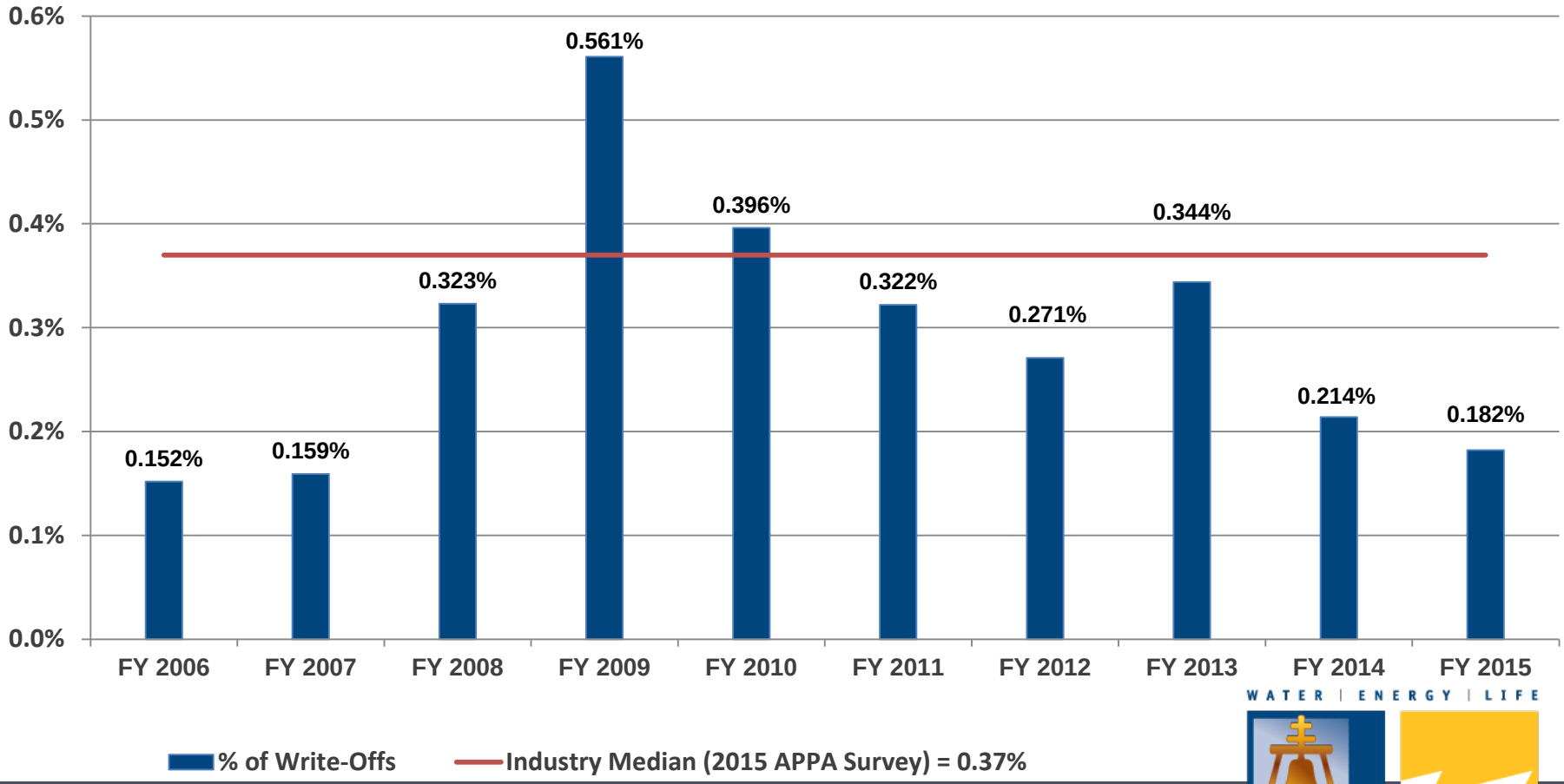
- Board Customer Relations/Finance Committee
- Reports to City Finance Committee as needed
- Board Workshop on Budget
- Year-End Presentation to Board
- Review fiscal impact for all Board items
- Assist in financial analysis as requested by City Council / Board / Executive Management

RPU Finance Participates in Project Committees

- SCPPA Finance Committee
- SCPPA Audit Committee
- Mead-Adelanto Audit Committee
- Mead-Phoenix Audit Committee
- SONGS Fiscal Committee
- IPP Finance Committee (includes STS & NTS)
- IPP Audit Committee (includes STS & NTS)

Financial Metrics Benchmarking

Electric - Uncollectible Write-Offs to Revenue



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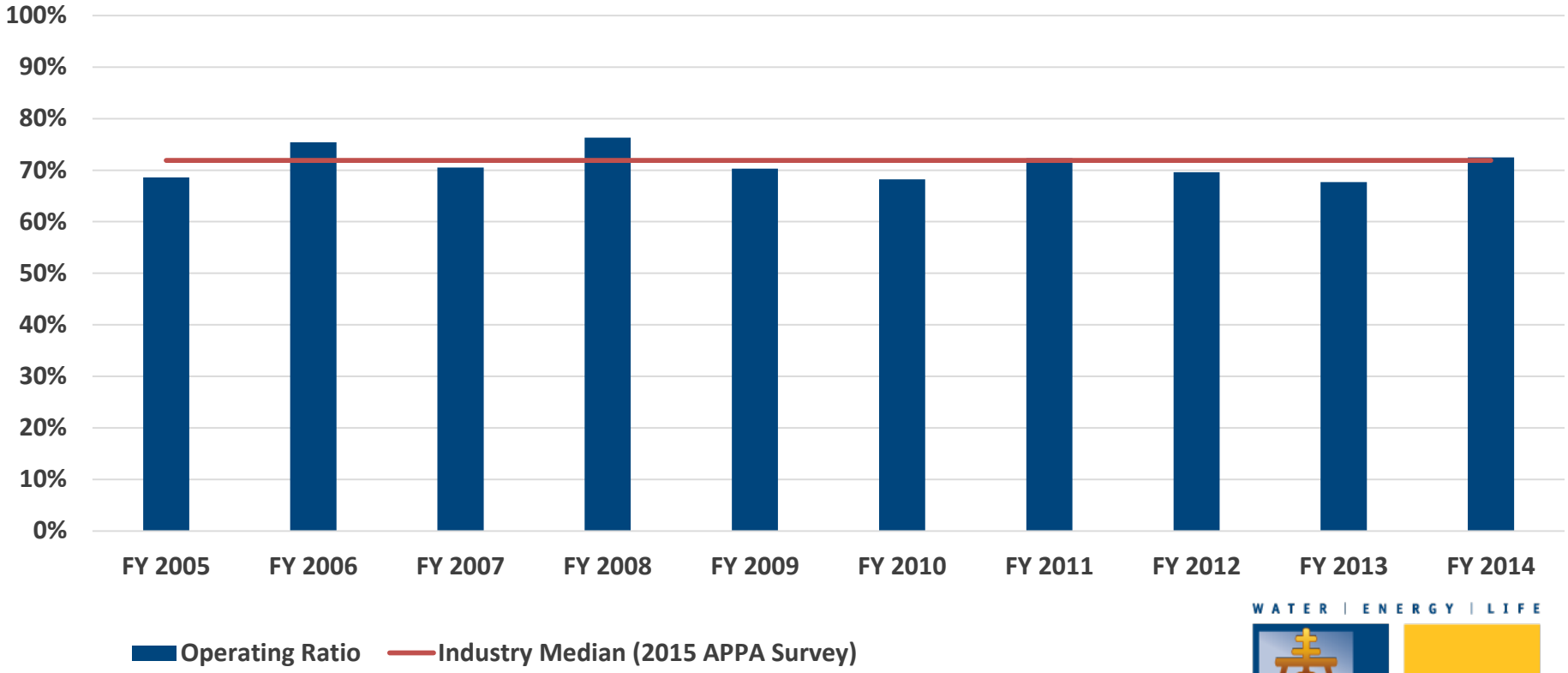
CITY OF RIVERSIDE PUBLIC UTILITIES

Electric Operating Ratio

The Operating Ratio reflects the Utility's Operating and Maintenance costs to operating revenues. A low ratio indicates positive results. Industry Median = 71.9%



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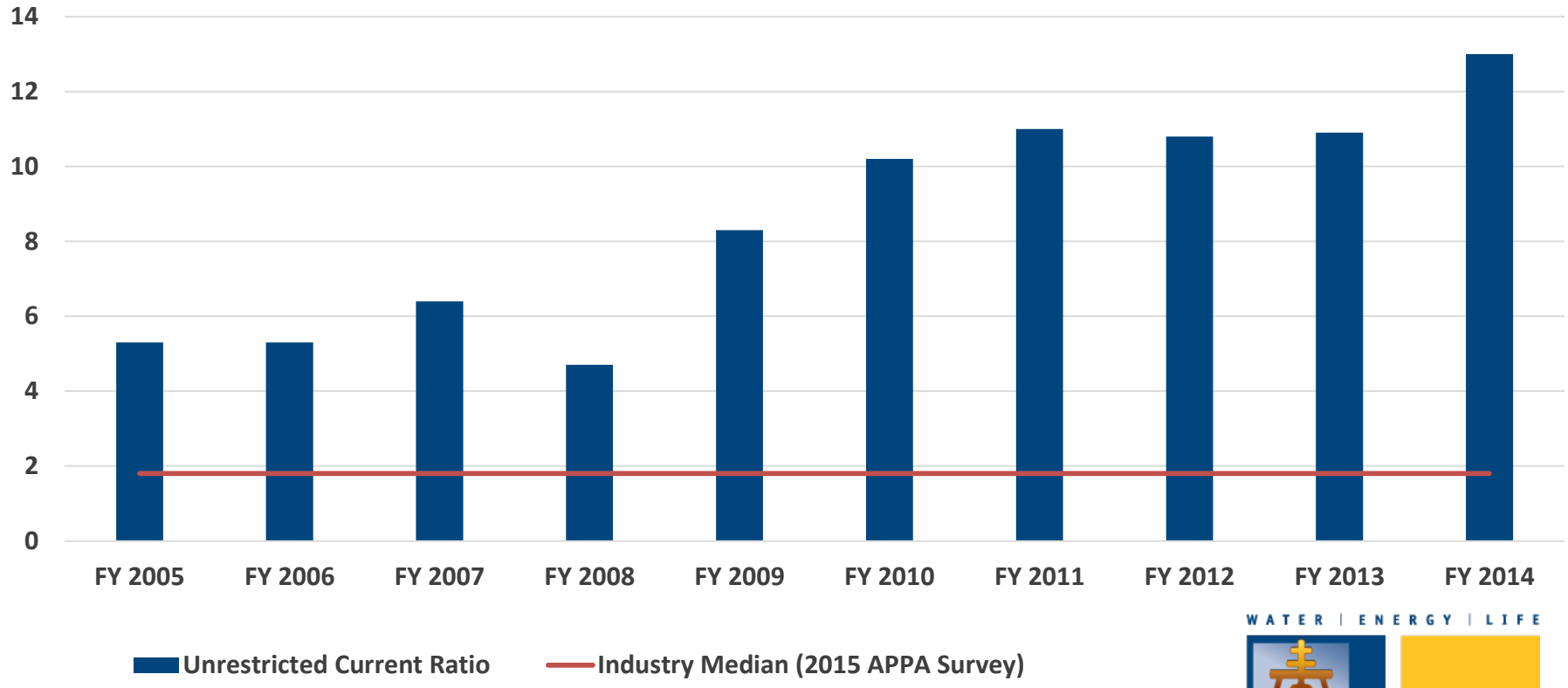
CITY OF RIVERSIDE PUBLIC UTILITIES

Electric Unrestricted Current Ratio

The Unrestricted Current Ratio indicates the Utility's ability to meet short term liabilities. A higher ratio indicates positive results. Industry Median = 1.8



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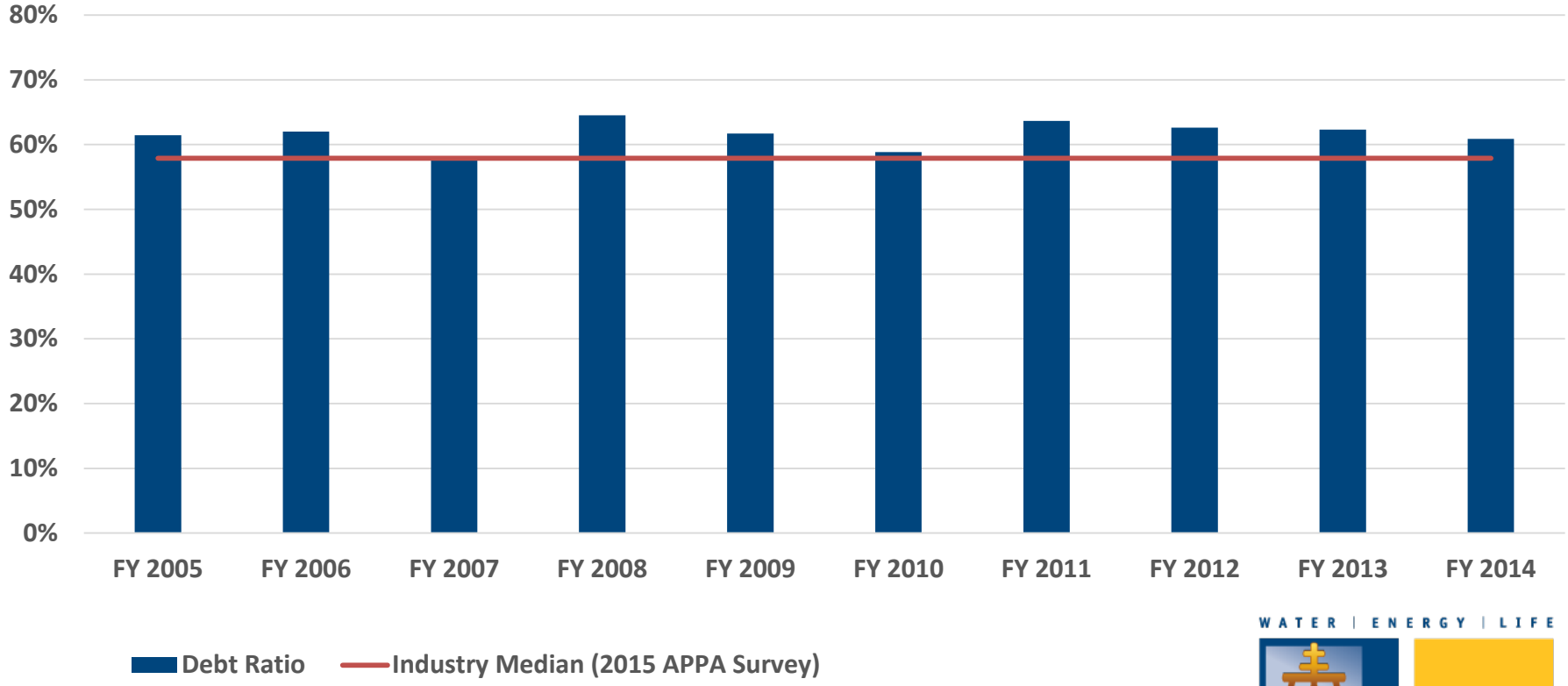
CITY OF RIVERSIDE PUBLIC UTILITIES

Electric Debt Ratio

The Debt Ratio indicates what proportion of debt the Utility has in relation to Utility assets. This ratio is favorable when it is lower. Industry Median = 57.9%



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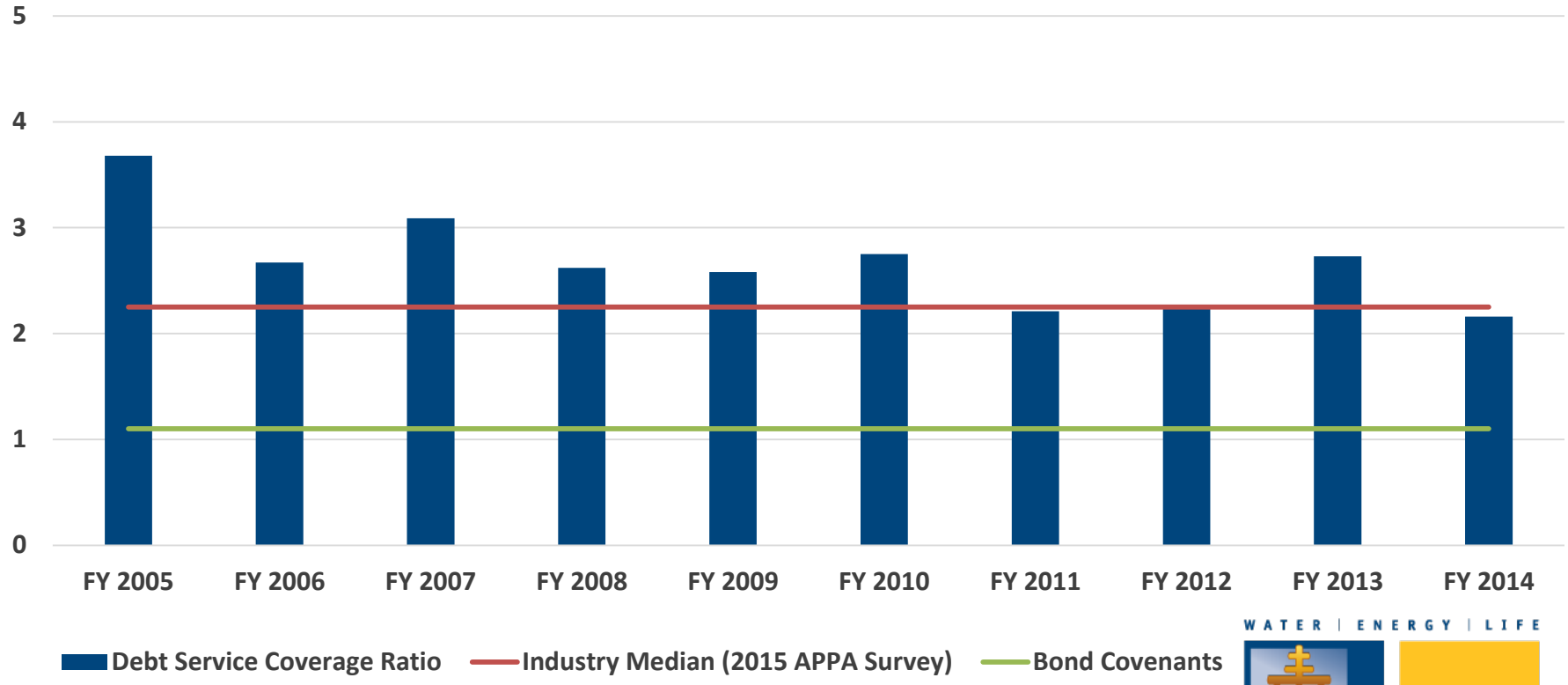
CITY OF RIVERSIDE PUBLIC UTILITIES

Electric Debt Service Coverage Ratio

The Debt Service Coverage Ratio is used as a benchmark to measure the Utility's ability to produce enough cash to cover debt service payments. A higher ratio is more favorable. Industry Median = 2.25



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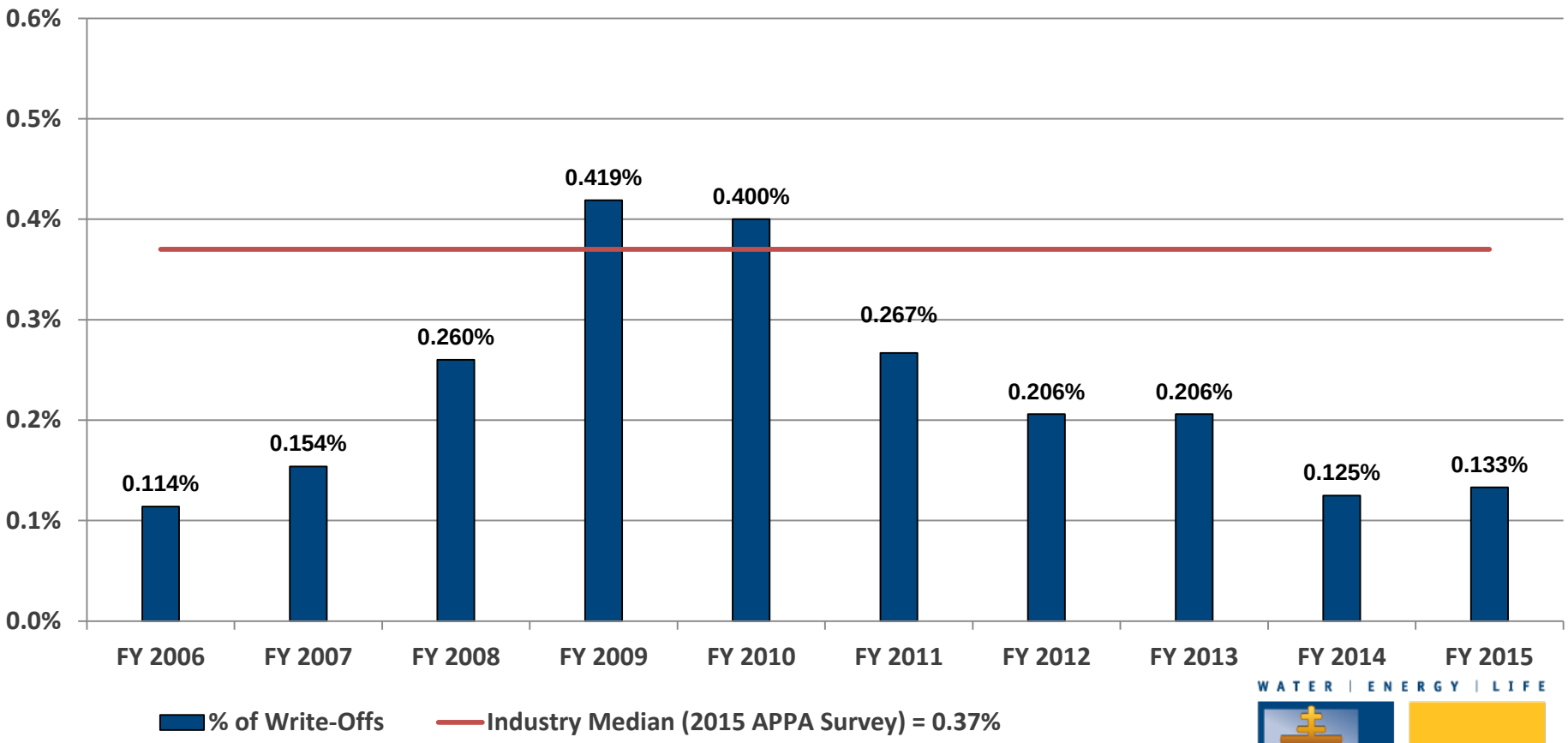
Water - Uncollectible Write-Offs to Revenue



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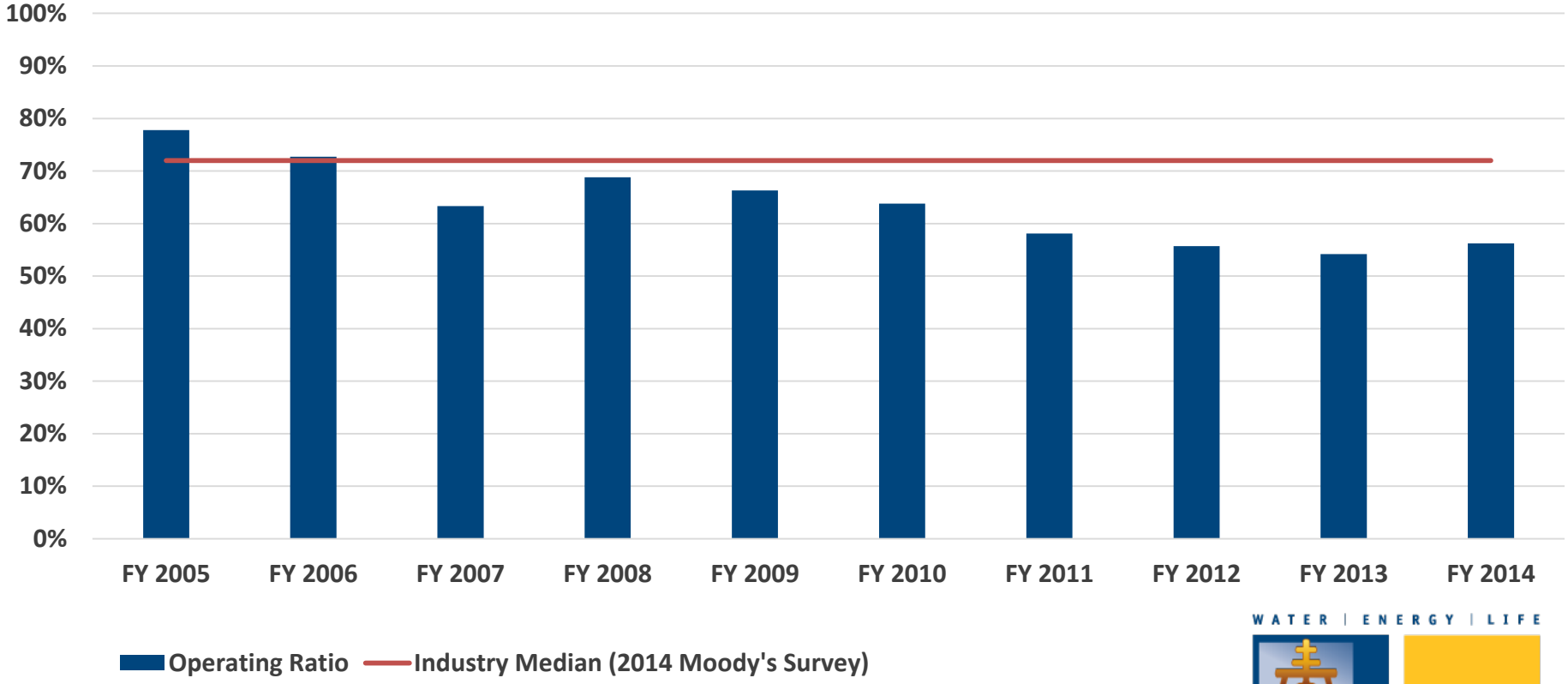
Water Operating Ratio

The Operating Ratio reflects the Utility's Operating and Maintenance costs to operating revenues. A low ratio indicates positive results. Industry Median = 72.0%



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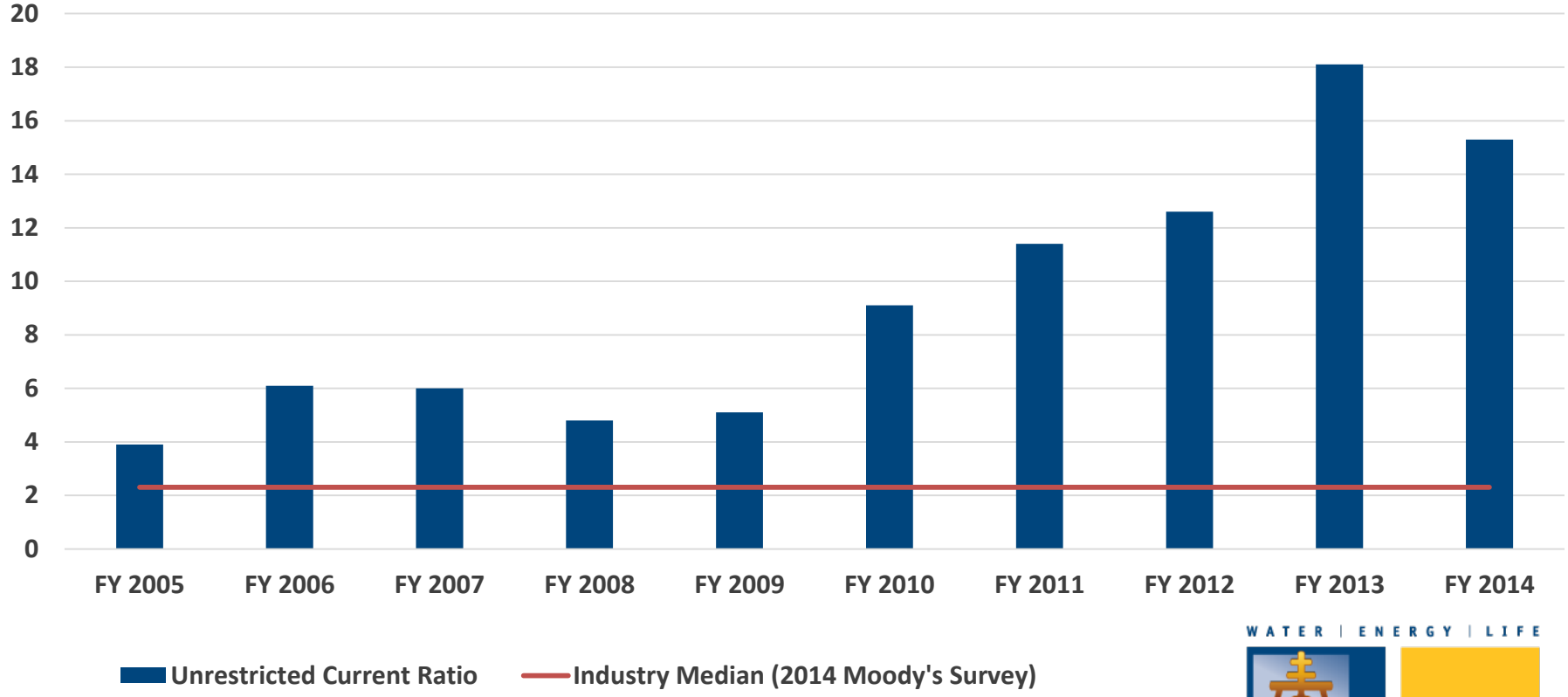
CITY OF RIVERSIDE PUBLIC UTILITIES

Water Unrestricted Current Ratio

The Unrestricted Current Ratio indicates the Utility's ability to meet short term liabilities. A higher ratio indicates positive results. Industry Median = 2.3



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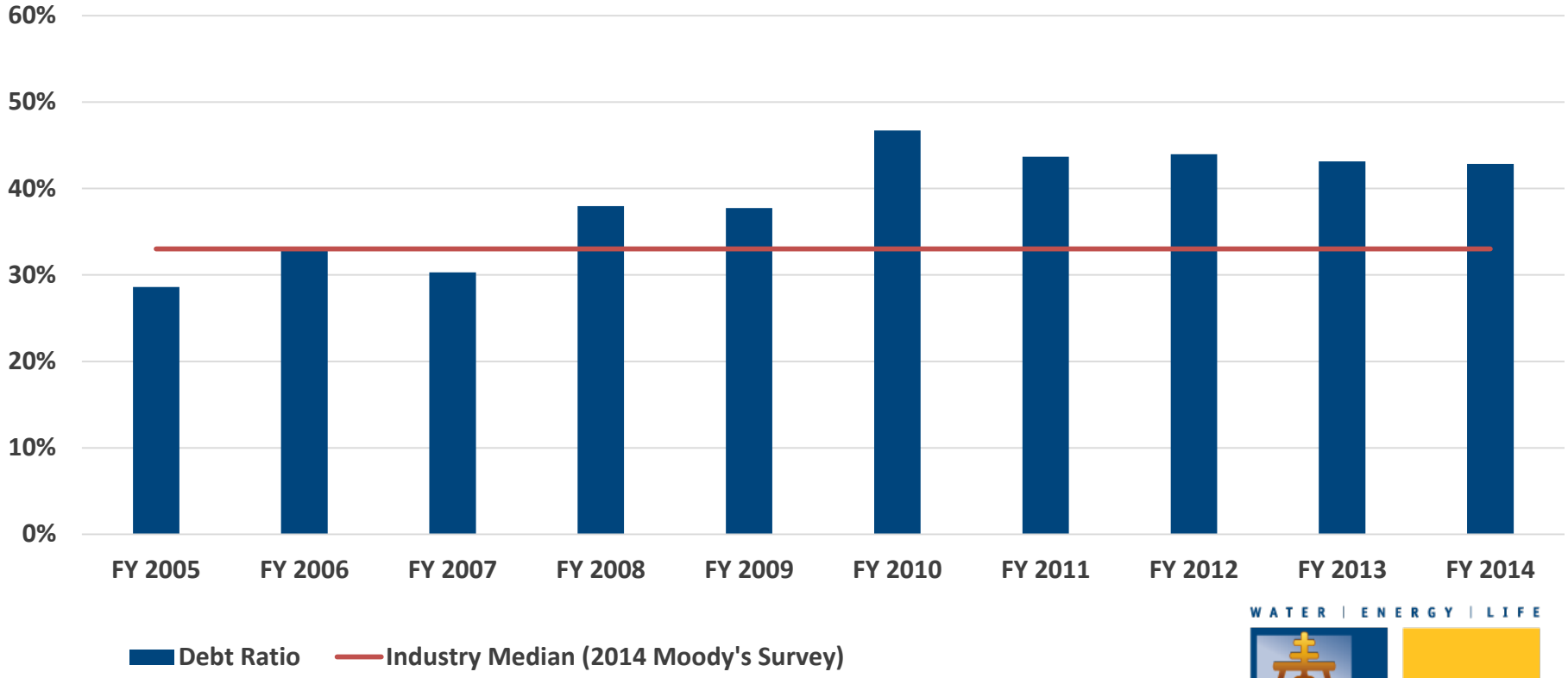
CITY OF RIVERSIDE PUBLIC UTILITIES

Water Debt Ratio

The Debt Ratio indicates what proportion of debt the Utility has in relation to Utility assets. This ratio is favorable when it is lower. Industry Median = 33.0%



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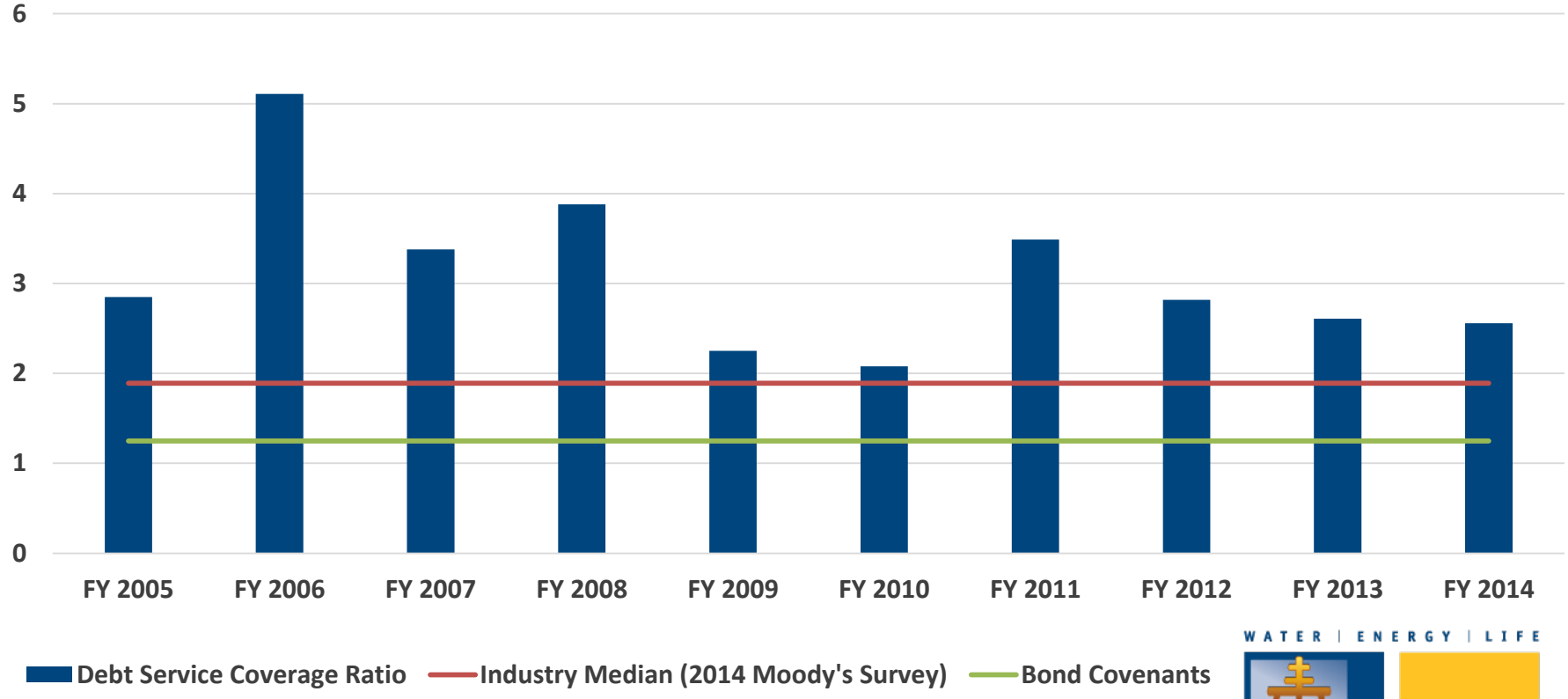
CITY OF RIVERSIDE PUBLIC UTILITIES

Water Debt Service Coverage Ratio

The Debt Service Coverage Ratio is used as a benchmark to measure the Utility's ability to produce enough cash to cover debt service payments. A higher ratio is more favorable. Industry Median = 1.89



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&
Comments