PRELIMINARY OFFICIAL STATEMENT DATED _____, 2019

NEW ISSUE – FULL BOOK-ENTRY

RATINGS:
S&P: "___"
Fitch: "___"
See "RATINGS."

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the 2019A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2019A Bonds is exempt from State of California personal income tax. See the caption "TAX MATTERS."

**$_____*
CITY OF RIVERSIDE, CALIFORNIA
REFUNDING ELECTRIC REVENUE BONDS, ISSUE OF 2019A**

Dated: Date of Delivery **Due: October 1, as shown on inside cover**

Description of the 2019A Bonds. The bonds captioned above (the "2019A Bonds") will be issued by the City of Riverside (the "City") in book-entry form, without coupons, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2019A Bonds. Purchasers of the 2019A Bonds will not receive physical certificates representing their interests in 2019A Bonds purchased. Principal of, premium, if any, and interest on the 2019A Bonds are payable directly to DTC by U.S. Bank National Association, as Fiscal Agent. Upon receipt of payments of such principal, premium, if any, and interest, DTC is obligated to remit such principal, premium, if any, and interest to its DTC participants for subsequent disbursement to the beneficial owners of the 2019A Bonds.

The 2019A Bonds will bear interest at the rates per annum shown on the inside cover of this Official Statement (calculated on the basis of a 360-day year consisting of twelve 30-day months). Each 2019A Bond will bear interest from the interest payment date before its date of authentication (i) unless it is authenticated (a) during the period after a Record Date but on or before the next interest payment date, in which event it will bear interest from that interest payment date, or (b) prior to the first Record Date, in which event it will bear interest from the dated date of the 2019A Bonds, or (ii) unless at the time of authentication interest is in default, in which event it will bear interest from the interest payment date to which interest has been paid or provided for. "Record Date" means the close of business on the 15th day of each month preceding an interest payment date.

Interest will be payable semiannually on April 1 and October 1, commencing April 1, 2019.

Redemption Prior to Maturity. The 2019A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See "DESCRIPTION OF THE 2019A BONDS – Redemption Provisions."

Purpose of the 2019A Bonds. The 2019A Bonds are being issued to (i) defease and refund in full the City's outstanding Electric Revenue Bonds, Issue of 2008D; (ii) defease and refund all or a portion of the City's Variable Rate Refunding Electric Revenue Bonds, Issue of 2008A (the "2008A Bonds") and Variable Rate Refunding Electric Revenue Bonds, Issue of 2008C (together with the 2008A Bonds, the "Prior Variable Rate Bonds"); (iii) pay all or a portion of the termination cost associated with the City's outstanding interest rate swaps allocated or related to the refunded portions of the applicable series of Prior Variable Rate Bonds; and (iv) finance capital projects for the City's electric utility system (the "Electric System"). Proceeds of the 2019A Bonds will also be used to pay certain costs of issuance. See "PLAN OF FINANCE."

Security for the 2019A Bonds. The 2019A Bonds are special limited obligations of the City, and are a charge upon and are payable solely from and secured by a lien upon the Net Operating Revenues of the Electric System and other funds, assets and security described in the Resolution (as described in this Official Statement). They do not constitute a general obligation or indebtedness of the City. "Net Operating Revenues" is generally defined as Gross Operating Revenues less Operating and Maintenance Expenses. Operating and Maintenance Expenses include certain take-or-pay obligations under contracts with joint powers agencies, including payments with respect to bonds issued by such joint powers agencies. See "THE ELECTRIC SYSTEM." **The City is not funding a debt service reserve account for the 2019A Bonds.**

Existing Parity Debt. The 2019A Bonds are secured by and payable from Net Operating Revenues on a parity with outstanding bonds in the aggregate principal amount of $514,270,000 as of January 1, 2019, which are referred to in this Official Statement as the "Prior Parity Bonds." See "PLAN OF FINANCE – Outstanding Parity Bonds."

Future Parity Debt. The City is authorized to issue additional bonded indebtedness and to incur additional obligations that are secured by a lien upon and payable from Net Operating Revenues on a parity with the Prior Parity Bonds and 2019A Bonds, as described in this Official Statement.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to making an informed investment decision. Capitalized terms used, but not defined, on this cover page have the meanings set forth in this Official Statement.

The 2019A Bonds are offered when, as and if issued and received by the Underwriters, subject to approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Certain legal matters will be passed upon for the City by the City Attorney. Jones Hall, A Professional Law Corporation, San Francisco, California, is acting as Disclosure Counsel to

the City, and Norton Rose Fulbright US LLP, Los Angeles, California, is acting as counsel to the Underwriter. It is expected that the 2019A Bonds in definitive form will be available for delivery through the facilities of the DTC book-entry system on or about _____, 2019.

Goldman Sachs & Co. LLC **Barclays**

BofA Merrill Lynch

Dated: _____, 2019.

* Preliminary, subject to change.

CITY OF RIVERSIDE, CALIFORNIA
REFUNDING ELECTRIC REVENUE BONDS
ISSUE OF 2019A

MATURITY SCHEDULE*
Base CUSIP: 768874†

Maturity Date (October 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Number†

$_____ _____% Term Bond due October 1, 20___, Yield: _____% Price: _____ CUSIP:† 768874 ___

* Preliminary; subject to change.

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CITY OF RIVERSIDE, CALIFORNIA

CITY COUNCIL

Rusty Bailey, Mayor

Mike Gardner, 1st Ward
Andy Melendrez, 2nd Ward
Mike Soubirous, 3rd Ward
Chuck Conder, 4th Ward
Chris Mac Arthur, 5th Ward
Jim Perry, 6th Ward
Steve Adams, 7th Ward

BOARD OF PUBLIC UTILITIES

Jo Lynne Russo-Pereyra, Chair
David Austin, Vice Chair

David M. Crohn
Kevin D. Foust
Jeanette Hernandez
Jennifer C. O'Farrell
Gildardo Oceguera
Elizabeth E. Sanchez-Monville
Andrew C. Walcker

CITY OFFICIALS

Al Zelinka*, City Manager*

Edward Enriquez,
Chief Financial Officer/City Treasurer

Gary G. Geuss
City Attorney

Susan D. Wilson,
Assistant City Attorney

Colleen J. Nicol,
City Clerk

Marie Ricci,
Assistant Chief Financial Officer

Todd Corbin,
Utilities General Manager

Todd L. Jorgenson,
Utilities Assistant General Manager
Water

Aileen Ma,
Interim Utilities Assistant General Manager
Finance & Administration

Daniel E. Garcia,
Utilities Assistant General Manager
Resources

George R. Hanson,
Utilities Assistant General Manager
Energy Delivery

BOND COUNSEL
Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

MUNICIPAL ADVISOR
PFM Financial Advisors LLC
Los Angeles, California

DISCLOSURE COUNSEL
Jones Hall, A Professional Law Corporation
San Francisco, California

FISCAL AGENT
U.S. Bank National Association
Los Angeles, California

VERIFICATION AGENT

_____

_____, _____

Neither the City nor the Underwriters have authorized any dealer, broker, salesman or other person to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the 2019A Bonds in any jurisdiction in which such offer to sell or solicitation of an offer to buy is unlawful.

This Official Statement is not to be construed as a contract with the purchasers of the 2019A Bonds. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion (whether or not expressly so described in this Official Statement) are intended solely as such and are not to be construed as representations of fact.

The information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2019A Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Electric System since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE 2019A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 2019A BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are generally identifiable by the terminology used such as "plan," "project," "expect," "anticipate," "intend," "believe," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as specifically set forth in this Official Statement, the City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances, on which such statements are based occur.

The City maintains a website; however, the information that it contains is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the 2019A Bonds.

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OFFICIAL STATEMENT

**$_____*
CITY OF RIVERSIDE, CALIFORNIA
REFUNDING ELECTRIC REVENUE BONDS, ISSUE OF 2019A**

INTRODUCTION

This Official Statement, including its appendices, is provided to furnish information in connection with the issuance and sale by the City of Riverside, California (the "**City**"), of the bonds captioned above (the "**2019A Bonds**").

Authority for the 2019A Bonds

The 2019A Bonds are authorized and issued pursuant to the following, which are referred to collectively in this Official Statement as the "**Law**":

(i) the City Charter;

(ii) Ordinance No. 5001 adopted by the City Council on April 20, 1982, as amended by Ordinance No. 5071 adopted by the City Council on March 22, 1983, and Ordinance No. 6815 adopted by the City Council on July 26, 2005; and

(iii) Resolution No. 17662 adopted by the City Council on January 8, 1991 (the "**Master Resolution**"), as previously amended and supplemented, and as amended and supplemented by an eighteenth supplemental resolution providing for the issuance of the 2019A Bonds (the "**Eighteenth Supplemental Resolution**"), which was adopted by the City Council on [January 22], 2019. The Master Resolution, as previously amended and supplemented, and as further amended and supplemented by the Eighteenth Supplemental Resolution, is referred to collectively in this Official Statement as the "**Resolution**."

Purpose of the 2019A Bonds

The 2019A Bonds are being issued to:

(i) defease and refund in full the City's Electric Revenue Bonds, Issue of 2008D, which were issued on May 20, 2008, in the aggregate principal amount of $209,740,000 and are currently outstanding in the aggregate principal amount of $191,715,000 (the "**2008D Bonds**");

(ii) defease and refund all or a portion of the City's variable rate electric revenue bonds listed below, as determined based on market conditions on the pricing

* Preliminary; subject to change.

date of the 2019A Bonds (collectively, the "**Prior Variable Rate Bonds**"; see "PLAN OF FINANCE - Outstanding Parity Bonds"):

(a) Variable Rate Refunding Electric Revenue Bonds, Issue of 2008A ("**2008A Bonds**"), which were issued on May 1, 2008, in the aggregate principal amount of $84,515,000 and are currently outstanding in the aggregate principal amount of $65,965,000; and

(b) Variable Rate Refunding Electric Revenue Bonds, Issue of 2008C ("**2008C Bonds**"), which were issued on May 1, 2008, in the aggregate principal amount of $57,325,000 and are currently outstanding in the aggregate principal amount of $41,075,000;

(iii) pay all or a portion of the termination cost associated with the City's outstanding interest rate swaps allocated or related to the refunded portions of the applicable series of Prior Variable Rate Bonds (the "**Swap Termination Cost**"); and

(iv) finance capital projects for the City's electric utility system (the "**Electric System**").

Proceeds of the 2019A Bonds will also be used to pay certain costs of issuance. See "PLAN OF FINANCE."

The Electric System

The Electric System operates as a vertically integrated utility providing service to virtually all electric consumers within the city limits of the City, which encompasses 81.5 square miles. The Electric System's power supply requirements are met through:

(i) the City's (a) internal generation consisting of (1) 40 megawatt ("**MW**"), simple cycle, combustion turbines known as the Springs Generating Project (the "**Springs Generating Project**") and (2) the four unit, 196 MW, power plant known as Riverside Energy Resource Center ("**RERC**") Units 1, 2, 3 and 4, and (b) the 29.5 MW combined-cycle Clearwater Cogeneration Facility located in Corona, California ("**Clearwater**");

(ii) entitlements in the Intermountain Power Project ("**IPP**") Generating Station, the Hoover Power Plant and, through the City's participation in the Southern California Public Power Authority ("**SCPPA**"), SCPPA's Palo Verde Nuclear Generating Station Project ("**PVNGS**");

(iii) long-term power purchase agreements for renewable energy;

(iv) purchases of firm energy from various western utilities when it is available at an economical price or when needed to satisfy periods of peak demand; and

(v) energy purchases through the California Independent System Operator ("**CAISO**") centralized markets.

The Electric System provides service throughout the City to domestic, commercial, industrial, agricultural, municipal and other customers. For the fiscal year ended June 30, 2018, the number of customers of the Electric System was 109,619 and the total megawatt hours ("**MWh**") generated and purchased was 2,305,200. See "THE ELECTRIC SYSTEM."

Security for the 2019A Bonds; Rate Covenant

Nature of Pledge. Pursuant to the Law, the 2019A Bonds are special limited obligations of the City and are secured by a pledge of and are a charge upon, and are payable solely from and secured by a lien upon, the "**Net Operating Revenues**" of the Electric System and other funds, assets and security described under the Resolution. The term Net Operating Revenues is generally defined to mean Gross Operating Revenues less Operating and Maintenance Expenses. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2019A BONDS." Operating and Maintenance Expenses include certain take-or-pay obligations under contracts with joint powers agencies, including payments with respect to bonds issued by such joint powers agencies. See "THE ELECTRIC SYSTEM – Joint Powers Agency Obligations."

Rate Covenant. The City is obligated by the Resolution to prescribe, revise and collect rates and collect charges for the services, facilities and electricity of the Electric System during each Fiscal Year in an amount sufficient to pay Operating and Maintenance Expenses and to pay debt service on the Bonds and other obligations payable from Net Operating Revenues, with specified requirements as to priority and coverage (when coverage is required, the City may take into account any unrestricted funds of the Electric System designated by the City Council by resolution and available to pay Operating and Maintenance Expenses or debt service on the Bonds). See "SECURITY AND SOURCES OF PAYMENT FOR THE 2019A BONDS – Net Operating Revenues" and "– Rate Covenant." Electric rates are established by the City of Riverside Board of Public Utilities (the "**Board**"), subject to approval by the City Council, and are not subject to regulation by the California Public Utilities Commission (the "**CPUC**") or any other state agency.

Limited Obligation. The general fund of the City is not liable for the payment of the principal of or interest and redemption premium (if any) on the 2019A Bonds, nor is the credit or the taxing power of the City pledged for the payment of the principal of or interest and redemption premium (if any) on the 2019A Bonds. No Bondowner may compel the exercise of the taxing power of the City or the forfeiture of any of its property. None of the principal of or interest or redemption premium (if any) on the 2019A Bonds constitutes a debt of the City or a legal or equitable pledge, charge, lien or encumbrance upon any of its property, or upon any of its income, receipts or revenues, except the Net Operating Revenues of the Electric System and other funds, security or assets that are, under the terms of the Resolution, pledged to the payment of the principal of and interest and redemption premium (if any) on the 2019A Bonds.

Outstanding Parity Bonds

The 2019A Bonds are secured by and payable from Net Operating Revenues on a parity with outstanding bonds in the aggregate principal amount of $514,270,000 as of January 1, 2019, which are referred to in this Official Statement as the "**Prior Parity Bonds**." See "PLAN OF FINANCE – Outstanding Bonds."

Additional Bonds and Parity Debt

The City is authorized under the Resolution to issue additional bonds ("**Additional Bonds**") that are secured by a pledge of and a charge upon, and that are payable from, Net Operating Revenues and other funds, assets and security described under the Resolution, on a parity with the 2019A Bonds and the Prior Parity Bonds. The Prior Parity Bonds, the 2019A Bonds and any Additional Bonds are referred to in this Official Statement as the "**Bonds.**"

The City is also authorized to issue and incur additional parity obligations that do not constitute Bonds, but are secured by and payable from Net Operating Revenues on a parity with the Bonds.

See "SECURITY AND SOURCES OF PAYMENT FOR THE 2019A BONDS – Additional Bonds and Parity Debt."

Debt Service Reserve Account Not Funded

A separate reserve account is being established for the 2019A Bonds; however, the City is not funding the account and has no obligation to fund the account in the future. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2019A BONDS – Debt Service Reserve Account Not Funded."

Joint Powers Agency Obligations

The City participates in certain contracts with the Intermountain Power Agency, a political subdivision of the State of Utah ("**IPA**"), and SCPPA. Obligations of the City under the agreements with IPA and SCPPA constitute Operating and Maintenance Expenses of the City payable prior to any of the payments required to be made on the Bonds and any Parity Debt. Agreements between the City and IPA and the City and SCPPA are on a "take-or-pay" basis, which requires payments to be made whether or not applicable projects are completed or operable or whether output from such projects is suspended, interrupted or terminated. All of these agreements contain "step-up" provisions obligating the City to pay a share of the obligations of a defaulting participant. Any "step-up" obligation relating to the City's participation in transmission projects that it would be responsible for would be included in the City's Transmission Revenue Requirement ("**TRR**") as approved by the Federal Energy Regulatory Commission ("**FERC**") (that would require filing a new TRR at the FERC) and would be recovered from all CAISO grid users. The City's participation and share of principal obligation (without giving effect to any "step-up" provisions) for each of the joint powers agency projects in which it participates are detailed under the heading "THE ELECTRIC SYSTEM – Joint Powers Agency Obligations."

Subordinate Obligations

The City has incurred certain obligations and has the right to issue additional obligations that are secured by and payable from Net Operating Revenues on a subordinate basis to the Bonds and Parity Debt. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2019A BONDS – Subordinate Obligations."

Continuing Disclosure

The City will covenant for the benefit of the owners and beneficial owners of the 2019A Bonds to provide certain financial information and operating data relating to the Electric System and notices of the occurrence of certain enumerated events. See "CONTINUING DISCLOSURE" and "APPENDIX D – Form of Continuing Disclosure Certificate."

Summaries and References to Documents

Brief descriptions of the 2019A Bonds, the security and sources of payment therefor, the Electric System and summaries of the Resolution and certain other documents are included elsewhere in this Official Statement. Such descriptions and summaries do not purport to be

comprehensive or definitive. All references in this Official Statement to the 2019A Bonds, the Resolution and any other documents are qualified in their entirety by reference to such documents, copies of which are available for inspection at the office of the City Clerk located at Riverside City Hall, 3900 Main Street, Riverside, California 92522, telephone: (951) 826-5557.

A copy of the most recent annual Financial Report of the Electric System may be obtained from the Utilities Assistant General Manager / Finance and Administration of the City of Riverside Public Utilities Department, at 3750 University Avenue, 3rd Floor, Riverside, California 92501.

Financial and statistical information set forth in this Official Statement, except for the audited financial statements included in APPENDIX B and unless otherwise indicated, is unaudited. The source of such information is the City, unless otherwise stated.

All capitalized terms used in this Official Statement and not otherwise defined shall have the meanings provided in the Resolution.

PLAN OF FINANCE

General

The Series 2019A Bonds are issued to: (i) defease and refund in full the 2008D Bonds; (ii) refund all or a portion of the Prior Variable Rate Bonds, as determined by the City based on market conditions on the pricing date of the 2019A Bonds; (iii) pay all or a portion of the termination cost associated with the City's outstanding interest rate swaps allocated or related to the refunded portions of the applicable series of Prior Variable Rate Bonds; and (iv) finance capital projects for the Electric System.

Proceeds of the 2019A Bonds will also be used to pay certain costs of issuance.

Refunding Plan

The City will deliver a portion of the proceeds of the 2019A Bonds to the Fiscal Agent, as escrow agent (the "**Escrow Agent**"), for deposit into escrow funds (each, an "**Escrow Fund**") established under escrow agreements (each, an "**Escrow Agreement**"), as described below.

On the Closing Date, the City and the Escrow Agent will enter into an Escrow Agreement relating to each of the 2008A Bonds, 2008C Bonds and 2008D Bonds. Under these Escrow Agreements, on the Closing Date, the City will cause to be transferred to the Escrow Agent for deposit into the Escrow Funds the amounts of $_____, $_____ and $_____, respectively, in immediately available funds. Amounts deposited into the respective Escrow Funds will be held as cash or will be invested by the Escrow Agent in Federal Securities. The City will refund all of the 2008D Bonds and, based on market conditions on the pricing date of the 2019A Bonds, all or a portion of each series of Prior Variable Rate Bonds (such portions, the "**Redeemed Prior Variable Rate Bonds**," and collectively with the 2008D Bonds, the "**Redeemed Prior Bonds**") on April 1, 2019. Any portion of unrefunded Prior Variable Rate Bonds will remain outstanding on a parity basis with the 2019A Bonds, as described under the heading entitled "- Outstanding Parity Bonds."

The redemption price of the Redeemed Prior Bonds will equal the par amount to be redeemed, together with accrued interest to the redemption date, without premium. On the Closing Date, as a result of the deposit of funds into each Escrow Fund, the Redeemed Prior Bonds will be defeased, and all liability of the City with respect to them will be discharged.

Sufficiency of the deposits in each Escrow Fund for the purposes of the related Escrow Agreement will be verified by _____ (the "**Verification Agent**"). See "VERIFICATION OF MATHEMATICAL ACCURACY" below.

The amounts held by the Escrow Agent in each Escrow Fund are pledged solely to the payment of the related Redeemed Prior Bonds. None of the funds deposited in any Escrow Fund will be available for the payment of debt service on the 2019A Bonds.

2008D Bonds. The 2008D Bonds consist of the maturities listed below.

City of Riverside
Electric Revenue Bonds, Issue of 2008D

Maturity Date (October 1)	Principal Amount	Interest Rate	CUSIP Number† (Base: 768874)
2019	$3,650,000	4.000%	PZ6
2020	3,755,000	4.000	QA0
2021	3,825,000	4.125	QB8
2022	4,015,000	4.250	QC6
2023	1,050,000	4.500	QD4
2023	5,600,000	5.000	QE2
2024	1,500,000	4.500	QF9
2024	5,500,000	5.000	QG7
2025	425,000	4.500	QH5
2025	6,915,000	5.000	QJ1
2026	1,050,000	4.500	QK8
2026	6,480,000	5.000	QL6
2027	125,000	4.500	QM4
2027	7,570,000	5.000	QN2
2028	140,000	4.500	QP7
2028	7,735,000	5.000	QQ5
2033	48,015,00	5.000	QR3
2038	385,000	4.750	QS1
2038	83,980,000	5.000	QT9

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® data herein is provided by Standard & Poor's CUSIP Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the City nor the Underwriters take any responsibility for the accuracy of such numbers.

2008A Bonds and 2008C Bonds. The 2008A Bonds and 2008C Bonds are term bonds scheduled to mature on October 1, 2029, and October 1, 2035, respectively. A schedule of mandatory sinking account redemptions for each of the 2008A Bonds and 2008C Bonds is provided below. The principal amount of each of the 2008A Bonds and 2008C Bonds being redeemed will be credited against the respective mandatory sinking account payments for such Series as set forth in the table below.

City of Riverside
Variable Rate Refunding Electric Revenue Bonds, Issue of 2008A
CUSIP Number† 768874 PS2

Redemption Date (October 1)	Principal Amount Outstanding	Principal Amount to Be Redeemed*
2019	$4,775,000	
2020	4,950,000	
2021	5,150,000	
2022	5,300,000	
2023	5,550,000	
2024	5,775,000	
2025	6,000,000	
2026	6,435,000	
2027	6,865,000	
2028	7,330,000	
2029 (maturity)	7,835,000	

City of Riverside
Variable Rate Refunding Electric Revenue Bonds, Issue of 2008C
CUSIP Number† 768874 PU7

Redemption Date (October 1)	Principal Amount Outstanding	Principal Amount to Be Redeemed*
2019	$1,775,000	
2020	1,825,000	
2021	1,900,000	
2022	1,950,000	
2023	750,000	
2024	725,000	
2025	725,000	
2026	700,000	
2027	725,000	
2028	725,000	
2029	725,000	
2030	4,350,000	
2031	4,500,000	
2032	4,675,000	
2033	4,825,000	
2034	5,000,000	
2035 (maturity)	5,200,000	

* To be determined based on market conditions on the pricing date of the 2019A Bonds.

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Potential Termination of Swap Agreements

The City previously entered into swap agreements associated with the Prior Variable Rate Bonds in order to hedge against adverse interest rate movements. The City will use a portion of the proceeds of the 2019A Bonds to pay the Swap Termination Cost.

For more information about the swap agreements, see "SECURITY AND SOURCES OF PAYMENT FOR THE 2019A BONDS - Subordinate Obligations - Existing Subordinate Debt."

Financing of Capital Projects for the Electric System

Proceeds of the 2019A Bonds will be deposited into the 2019A Construction Fund and used to finance the Electric System's Capital Improvement Program, which is described under the heading entitled "THE ELECTRIC SYSTEM - Capital Improvement Program."

Estimated Sources and Uses of Funds

The estimated sources and uses of funds in connection with the 2019A Bonds are as follows:

Sources:	
Principal Amount of 2019A Bonds	
[Plus/Less]: Net Original Issue [Premium/Discount]	
Amounts Relating to Outstanding Prior Bonds	
[City Contribution]	
Total Sources	
Uses:	
Escrow Funds[(1)]:	
2008A Bonds	
2008C Bonds	
2008D Bonds	
Swap Termination Cost[(2)]	
2019 Construction Fund[(3)]	
Costs of Issuance[(4)]	
Underwriters' Discount	
Total Uses	

(1) See "– Refunding Plan."

(2) See "– Potential Termination of Swap Agreements."

(3) See "– Financing Capital Projects for the Electric System."

(4) Includes legal fees; fees of the Fiscal Agent, Municipal Advisor, Verification Agent, Escrow Agent, and rating agencies; printing costs; and other costs incurred or to be incurred in connection with the issuance of the 2019A Bonds.

Outstanding Parity Bonds

Following the issuance of the 2019A Bonds and the application of proceeds as described under the heading "– Refunding Plan," the 2019A Bonds will be secured by and payable from Net Operating Revenues on a parity with the Prior Parity Bonds, which consist of the Bonds listed in the table below.

Name of Issue	Outstanding Principal Amount
Variable Rate Refunding Electric Revenue Bonds, Issue of 2008A[(1)]	$65,965,000*
Variable Rate Refunding Electric Revenue Bonds, Issue of 2008C[(2)]	41,075,000*
Electric Revenue Bonds, Issue of 2010A (Federally Taxable Build America Bonds - Direct Payment)[(3)]	133,290,000
Electric Revenue Bonds, Issue of 2010B (Tax-Exempt Bank Qualified)[(3)]	2,210,000
Variable Rate Refunding Electric Revenue Bonds, Issue of 2011A[(4)]	41,025,000
Refunding Electric Revenue Bonds, Issue of 2013A[(5)]	38,990,000
Total	$215,515,000*

* Preliminary; subject to change. Includes the outstanding principal amount of the Prior Variable Rate Bonds; however, as described above and under the heading "- Refunding Plan," a portion of the proceeds of the 2019A Bonds will be used to refund all or a portion of the Prior Variable Rate Bonds, as determined based on market conditions on the pricing date of the 2019A Bonds.

(1) Issued pursuant to Resolution No. 21611, adopted on April 22, 2008. The 2008A Bonds are multi-modal bonds and currently accrue interest at a variable rate in a weekly mode. The 2008A Bonds are supported by a letter of credit that expires in 2021; any advance on the letter of credit that is not repaid by the 180th day immediately succeeding the day the earliest outstanding advance was made ("**Earliest Advance Date**") would be converted to an installment loan with principal to be paid quarterly during a period not to exceed the fifth anniversary of the Earliest Advance Date (or earlier as provided by the related reimbursement agreement). For more information, see "Note 4 - Long-Term Obligations - Letters of Credit" in the Electric System's audited financial statements for the fiscal year ended June 30, 2018, which is attached to this Official Statement as APPENDIX B.

(2) Issued pursuant to Resolution No. 21613, adopted on April 22, 2008. The 2008C Bonds are multi-modal bonds and currently accrue interest at a variable rate in a weekly rate mode. The 2008C Bonds are supported by a letter of credit that expires in 2021; any advance on the letter of credit that is not repaid by the 180th day immediately succeeding the Earliest Advance Date would be converted to an installment loan with principal to be paid quarterly during a period not to exceed the fifth anniversary of the Earliest Advance Date (or earlier as provided by the related reimbursement agreement). For more information, see "Note 4 - Long-Term Obligations - Letters of Credit" in the Electric System's audited financial statements for the fiscal year ended June 30, 2018, which is attached to this Official Statement as APPENDIX B.

(3) Issued pursuant to Resolution No. 22127, adopted on November 23, 2010.

(4) Issued pursuant to Resolution No. 22193, adopted on April 5, 2011. The 2011A Bonds are multi-modal bonds and currently accrue interest at a variable rate (based on the London Interbank Offered Rate ("**LIBOR**")) in an index interest rate mode and are subject to mandatory tender on April 27, 2020. During an index interest rate period, if the City failed to pay the purchase price of the 2011A Bonds on a mandatory tender date, the 2011A Bonds would become subject to mandatory redemption in full within as soon as three years of the mandatory tender date.

(5) Issued pursuant to Resolution No. 22357, adopted on June 18, 2013.

Debt Service Requirements

The following table sets forth the estimated debt service on the Prior Parity Bonds and 2019A Bonds, assuming no optional redemption.

Debt Service Requirements[1]

Period Ending (Oct. 1)	Prior Parity Bonds Principal	Prior Parity Bonds Interest[2]	2019A Bonds Principal*	2019A Bonds Interest*	Total Bonds Debt Service[2]*	Treasury Credits[3][4]*	Total Bonds Debt Service Net of Treasury Credits[2][3][4]*
2019	$14,995,000	$26,150,293				$(3,272,636)	
2020	15,535,000	25,615,053				(3,272,636)	
2021	16,085,000	25,014,497				(3,227,218)	
2022	16,675,000	24,381,160				(3,178,060)	
2023	17,285,000	23,699,795				(3,124,802)	
2024	17,990,000	22,934,524				(3,065,039)	
2025	18,740,000	22,125,405				(3,002,627)	
2026	19,490,000	21,288,051				(2,937,221)	
2027	20,325,000	20,399,259				(2,864,653)	
2028	21,170,000	19,477,047				(2,788,659)	
2029	22,065,000	18,505,951				(2,708,994)	
2030	22,995,000	17,447,083				(2,625,412)	
2031	23,985,000	16,368,722				(2,537,793)	
2032	25,015,000	15,237,086				(2,444,041)	
2033	26,095,000	14,054,267				(2,345,670)	
2034	25,230,000	12,817,128				(2,242,430)	
2035	26,315,000	11,624,457				(2,134,073)	
2036	27,440,000	10,321,004				(2,020,347)	
2037	28,805,000	8,824,485				(1,901,004)	
2038	30,245,000	7,253,594				(1,775,793)	
2039	34,295,000	5,605,153				(1,644,341)	
2040	35,990,000	3,053,286				(842,019)	
2041	2,380,000	375,250				-	
2042	2,500,000	256,250				-	
2043	2,625,000	131,250				-	
2044	-	-				-	
2045	-	-				-	
2046	-	-				-	
2047	-	-				-	
2048	-					-	
2049	-					-	
Total	$514,270,000	$372,960,047				$(55,955,466)	

* Preliminary; subject to change.

(1) Totals may not add due to rounding.

(2) Assumes an annual interest rate of ____% on the hedged portion of the 2008A Bonds and ____% on the 2008C Bonds, in each case that are not being defeased and redeemed in connection with the delivery of the 2019A Bonds, and ____% on the 2011A Bonds. This reflects the anticipated effect of the swap agreements described in "SECURITY AND SOURCES OF PAYMENT FOR THE 2019A BONDS – Subordinate Obligations." Also assumes an interest rate of 3.500% on the unhedged portion of the 2008A Bonds.

(3) Reflects amounts payable by the federal government under Section 6431 of the Internal Revenue Code of 1986 (the "**Code**"), which the City will elect to receive under Section 54AA(g)(1) of the Code. These amounts are included in Gross Operating Revenues. See also "SECURITY AND SOURCES OF PAYMENT FOR THE 2019A BONDS – Rate Covenant – Future Change in Rate Covenant."

(4) On March 1, 2013, automatic spending cuts within the federal government took effect as a result of the so-called "sequester." For the period of October 1, 2018, through and including September 30, 2019, the cuts include a 6.2% reduction in amounts payable by the federal government to issuers of Build America Bonds (and other direct pay bonds) under Section 6431 of the Code, as determined by the Office of Management and Budget (the "**2018-19 Sequestration Rate**"). Because the 2010A Bonds were issued as Build America Bonds and will be affected by the reduction in credits (absent future Congressional action), more Net Operating Revenues will be needed to pay debt service on the 2010A Bonds than previously scheduled in order to offset the impact of the sequester. Pursuant to the Bipartisan Budget Act of 2018, the sequester extends through fiscal year 2027. The sequestration rate for federal fiscal years 2020 through 2027 will be set from time to time in the future, unless Congress takes additional action to change or eliminate the sequestration percentage; however, this table assumes that the 2018-19 Sequestration Rate remains in effect through the final maturity of the 2010A Bonds on October 1, 2040.

DESCRIPTION OF THE 2019A BONDS

The following is a summary of certain provisions of the 2019A Bonds. Reference is made to the 2019A Bonds for the complete text thereof and to the Resolution for a more detailed description of such provisions. The discussion in this Official Statement is qualified by such reference. See "APPENDIX C – Summary of Certain Provisions of the Resolution."

General

The 2019A Bonds will be dated their date of delivery and mature on the dates and in the respective amounts, and bear interest at the respective rates per annum (calculated on the basis of a 360-day year consisting of twelve 30-day months), shown on the inside cover of this Official Statement.

The 2019A Bonds may be purchased in book-entry form only, in principal amounts of $5,000 or any integral multiple thereof. Interest on the 2019A Bonds will be payable on April 1 and October 1 of each year, commencing April 1, 2019, to the owners of record at the close of business on the 15th day of the preceding calendar month (a "**Record Date**") by check mailed by first-class mail to the persons whose names appear on the registration books of the Fiscal Agent as the registered Owners of such 2019A Bonds as of the close of business on the Record Date at such persons' addresses as they appear on such registration books, except that an Owner of $1,000,000 or more in principal amount of 2019A Bonds may be paid interest by wire transfer to an account in the United States if such Owner makes a written request of the Fiscal Agent at least 30 days preceding any interest payment date specifying the wire transfer instructions for such Owner. The notice may provide that it will remain in effect for later interest payments until changed or revoked by another written notice. Payments of defaulted interest will be paid by check to the Owners as of a special record date to be fixed by the Fiscal Agent, notice of which special record date will be given to the Owners by the Fiscal Agent not less than 10 days prior to that date. See "APPENDIX F – Book-Entry Only System."

Each 2019A Bond will bear interest from the interest payment date before its date of authentication (a) unless it is authenticated (i) during the period after a Record Date but on or before the next interest payment date, in which event it will bear interest from that interest payment date, or (ii) prior to the first Record Date, in which event it will bear interest from the dated date of the 2019A Bonds or (b) unless at the time of authentication interest is in default, in which event it will bear interest from the interest payment date to which interest has been paid or provided for.

So long as any 2019A Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"), procedures with respect to the transfer of ownership, redemption, and the payment of principal, redemption price, premium, if any, and interest on such Bond will be in accordance with arrangements among the City, the Fiscal Agent and DTC. See "APPENDIX F – Book-Entry Only System."

Redemption Provisions*

Optional Redemption. The 2019A Bonds maturing on and after October 1, 20__, are subject to redemption prior to their stated maturity dates, at the option of the City, from any source of available funds, in whole or in part on any date on and after October 1, 20__, at a

* Preliminary; subject to change.

redemption price of 100% of the principal amount to be redeemed, without premium, plus accrued but unpaid interest to the redemption date.

Mandatory Sinking Account Redemption of 2019A Bonds. The 2019A Bonds maturing on October 1, 20__, are subject to mandatory sinking account redemption, in part, on October 1, 20__, and on each October 1 thereafter, at a redemption price equal to 100% of the principal amount to be redeemed, from Mandatory Sinking Account Payments required to be deposited in the Principal Account in the Bond Service Account of the Electric Revenue Fund, plus accrued interest thereon to the date of redemption, in the principal amounts shown in the following table, without premium:

Redemption Date (October 1)	**Principal Amount**
†	

† Maturity

Mandatory Sinking Account Payments for 2019A Bonds will be reduced to the extent the City has purchased 2019A Bonds and surrendered such 2019A Bonds to the Fiscal Agent for cancellation. If 2019A Bonds have been redeemed as provided for under the caption "– Optional Redemption" above, then the amount of the 2019A Bonds so redeemed will be credited to such future Mandatory Sinking Account Payments for such 2019A Bonds as determined by the City. A reduction of Mandatory Sinking Account Payments in any 12-month period ending on October 1 will reduce the principal amount of 2019A Bonds redeemed on that October 1.

Selection of 2019A Bonds for Redemption. If less than all 2019A Bonds are to be redeemed, the maturities of 2019A Bonds to be redeemed may be selected by the City. The City will give written notice of its selection not later than 15 Business Days (or such shorter period as may be agreed to by the Fiscal Agent) before the last day on which the Fiscal Agent may give notice of redemption to the Owners of the 2019A Bonds. If the City does not give notice of its selection, such Fiscal Agent will select the Bonds to be redeemed in inverse order of maturity. If less than all of the 2019A Bonds of like maturity are to be redeemed, the particular 2019A Bonds or portions of 2019A Bonds to be redeemed will be selected at random by the Fiscal Agent in such manner as the Fiscal Agent in its discretion may deem fair and appropriate.

Notice of Redemption. The Fiscal Agent will give notice of the redemption of 2019A Bonds to (i) the Owners of the 2019A Bonds called for redemption, (ii) certain securities depositories and (iii) one or more information services. Notice of such redemption will be given by first class mail to the Owners of the 2019A Bonds designated for redemption at their addresses appearing on the bond registration books, not less than 30 days nor more than 60 days prior to the redemption date. The failure by the Fiscal Agent to give notice to any one or more of the securities depositories or information services or failure of any Owner to receive notice of redemption or any defect in such notice will not affect the sufficiency of the proceedings for the redemption of 2019A Bonds.

In the event of an optional redemption of 2019A Bonds, if the City will not have deposited or otherwise made available to the Fiscal Agent or other applicable party the money required for the payment of the redemption price of the 2019A Bonds to be redeemed at the time of such mailing, such notice of redemption will state that the redemption is expressly

conditioned upon the timely deposit of sufficient funds therefore with the Fiscal Agent or other applicable party.

When notice of redemption has been given as provided in the Resolution, the 2019A Bonds or portions thereof so called for redemption will become due and payable on the redemption date, and upon presentation and surrender of such 2019A Bonds at the place specified in such notice of redemption, such 2019A Bonds will be redeemed and paid at said redemption price. If on the redemption date, moneys for the redemption of the 2019A Bonds to be redeemed will be available therefor on the redemption date, then from and after the redemption date, interest on the 2019A Bonds to be redeemed will cease to accrue.

SECURITY AND SOURCES OF PAYMENT FOR THE 2019A BONDS

Net Operating Revenues

Pursuant to the Law, the 2019A Bonds are special limited obligations of the City, secured by a pledge of, a charge upon and payable, as to the principal thereof, the interest thereon and any premium upon redemption thereof, solely from the Net Operating Revenues and other funds, assets and security described under the Resolution, on a parity with the Prior Parity Bonds and any Additional Bonds or Parity Debt issued in the future.

The Resolution defines "**Net Operating Revenues**" as Gross Operating Revenues less Operating and Maintenance Expenses, plus (for purposes of determining compliance with the City's rate covenant only) the amounts on deposit as of the date of determination in any unrestricted funds of the Electric System designated by the City Council by resolution and available for the purpose of paying Operating and Maintenance Expenses and/or debt service on the Bonds.

"**Gross Operating Revenues**" consist of (i) all revenues from rates, fees and charges for providing electric service to persons and real property and all other fees, rents and charges and other revenues derived by the City from the ownership, operation, use or service of the Electric System, including contributions in aid of construction, and (ii) all amounts periodically required to be paid by all Subordinate Swap Providers to the City under all Subordinate Swaps ("**Subordinate Swap Receipts**"), including the Swap Agreements (see "– Subordinate Obligations").

"**Operating and Maintenance Expenses**" are the expenses of operating and maintenance of the Electric System, including payments to certain joint powers agencies and any necessary contribution to the retirement system of the Electric System employees.

Limited Obligation

The general fund of the City is not liable for the payment of the principal of or interest and redemption premium on the 2019A Bonds, nor is the credit or the taxing power of the City pledged for the payment of the principal of or interest and redemption premium (if any) on the 2019A Bonds. No Owner may compel the exercise of the taxing power of the City or the forfeiture of any of its property. None of the principal of or interest or redemption premium on the 2019A Bonds constitutes a debt of the City or a legal or equitable pledge, charge, lien or encumbrance upon any of its property, or upon any of its income, receipts, or revenues, except the Net Operating Revenues of the Electric System and other funds, security or assets that are, under the terms of the Resolution, pledged to the payment of the principal of or interest and redemption premium (if any) on the 2019A Bonds.

Resolution Flow of Funds

The City has created the Electric Revenue Fund pursuant to the City Charter, which secures the payment of the Bonds and Parity Debt. The Electric Revenue Fund includes several accounts, namely, the Bond Service Account, the Renewal and Replacement Account and the Surplus Account. The Resolution provides that the Interest Account and the Principal Account will be created as subaccounts within the Bond Service Account. The Electric Revenue Fund and all of the accounts and subaccounts therein are held and administered by the Treasurer.

The 2008A Reserve Account has been created under Resolution No. 21611, adopted by City Council on April 22, 2008, and the 2008C Reserve Account has been created under Resolution 21613 adopted by City Council on April 22, 2008, both of which are held by the Fiscal Agent.

The City did not fund debt service reserve accounts for the 2010 Bonds, 2011A Bonds, or 2013A Bonds and is not funding a debt service reserve account for the 2019A Bonds (see "-Debt Service Accounts Not Funded").

Electric Revenue Fund. All Gross Operating Revenues will be deposited with the Treasurer and placed in the Electric Revenue Fund. So long as any Bonds remain Outstanding, the Treasurer will transfer and apply Gross Operating Revenues from and within the Electric Revenue Fund to the following funds and accounts and will set aside such moneys in such funds in the following amounts, in the following order of priority, the requirements of each fund or account (including requirements arising from any deficiencies caused by the lack of Gross Operating Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority.

Operating and Maintenance Expenses. As soon as practicable in each month, the Treasurer will provide for the payment of the Operating and Maintenance Expenses of the Electric System for that month, prior to the payment or provision for payment of (i) the interest on and the principal of the Bonds and any Parity Debt or the establishment and maintenance of any reserves therefor and (ii) amounts becoming due under Subordinate Obligations.

Bond Service Account. Following the required transfers for the payment of the Operating and Maintenance Expenses of the Electric System for that month, the City will set aside and transfer within the Electric Revenue Fund to the Bond Service Account for transfer to the Interest Account and to the Principal Account, as applicable, the following amounts at the following times:

> Interest Account. The Treasurer will set aside in the Interest Account as soon as practicable in each month an amount equal to (a) with respect to the Outstanding Current Interest Bonds of each Series (except for Bonds constituting Variable Rate Indebtedness or Paired Obligations), such amount as will be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on the next interest payment date for all such Outstanding Current Interest Bonds of such Series (excluding any interest for which there are moneys deposited in the Interest Account from the proceeds of such Series of Bonds or other source and reserved as capitalized interest to pay such interest until the next interest payment date), until the requisite amount of interest becoming due on the next interest payment date on all such Outstanding Current Interest Bonds of such Series (except for Bonds constituting Variable Rate Indebtedness or Paired Obligations) is on deposit in such fund, (b) with respect to Outstanding Paired Obligations, such amount as will be sufficient on a monthly pro rata basis to pay the aggregate of the collective fixed interest obligation of the City for such Paired Obligations coming due and payable on the next interest payment date for such Paired Obligations, (c) 110% of the aggregate amount of interest, estimated by the Treasurer in his or her reasonable judgment, to accrue during that month on the Outstanding Variable Rate Indebtedness; *provided, however*, that the amount of the deposit into the Interest Account for any month may be reduced (but only to the extent the amount payable by the City was or will be reduced) by the amount by which the

deposit in the prior month for interest estimated to accrue on Outstanding Variable Rate Indebtedness exceeded the actual amount of interest accrued during that month on said Outstanding Variable Rate Indebtedness and further provided that the amount of the deposit into the Interest Account for any month will be increased (but only to the extent the amount payable by the City was or will be increased) by the amount by which the deposit in the prior month for interest estimated to accrue on Outstanding Variable Rate Indebtedness was less than the actual amount of interest accrued during that month on said Outstanding Variable Rate Indebtedness and (d) only after all deposits have been made for such month in the Principal Account and the Bond Reserve Accounts as provided in the sections entitled "Principal Account" and "Reserve Accounts; Supplemental Deposit" below, respectively, all Subordinate Payments becoming due and payable under all Subordinate Obligations for that month (or if the amount of the Subordinate Payments is not then known, the amount, estimated by the Treasurer in his or her reasonable judgment, to become due and payable under all Subordinate Obligations during that month). No deposit need be made into the Interest Account if the amount contained therein is at least equal to (i) the interest to become due and payable on the interest payment dates falling within the next six months upon all of the Bonds issued under the Resolution and then Outstanding (but excluding any moneys on deposit in the Interest Account from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future interest payment dates following such interest payment dates) and (ii) the payments becoming due and payable under all Subordinate Obligations during that month as described in clause (d) above. Payments of interest for Parity Debt that are required to be placed in any debt service fund to pay interest on such Parity Debt will rank and be made pari passu with the payments required to be placed in the Interest Account.

Principal Account. The Treasurer will deposit in the Principal Account as soon as practicable in each month an amount equal to at least (i) one-sixth of the aggregate semiannual amount of Bond Obligation becoming due and payable on the Outstanding Bonds having semi-annual maturity dates or semi-annual Mandatory Sinking Account Payments due within the next six months plus (ii) one-twelfth of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding Bonds having annual maturity dates or annual Mandatory Sinking Account Payments due within the next 12 months, provided that if the City Council irrevocably determines by resolution that any principal payments on the Bonds of any Series will be refunded on or prior to their due dates or paid from amounts on deposit in a reserve account established and maintained for Bonds of that Series, no amounts need be set aside towards such principal to be so refunded or paid. No deposit need be made into the Principal Account so long as there will be in such fund moneys sufficient to pay the Bond Obligations of all Bonds issued under the Resolution and then Outstanding and maturing by their terms or subject to mandatory redemption within the next twelve months. Payments of principal on Parity Debt that are required to be placed in any debt service fund or sinking fund to pay the principal of, or mandatory sinking fund payments with respect to, such Parity Debt will rank and be made pari passu with the payments required to be placed in the Principal Account.

Reserve Accounts; Supplemental Deposit. The Treasurer will deposit as soon as practicable in each month into any reserve account established pursuant to a Supplemental Resolution for a Series of Bonds and into any reserve account established for Parity Debt upon the occurrence of any deficiency therein, (i) one-twelfth of the aggregate amount of any unreplenished prior withdrawal from such reserve account and (ii) the full amount of any deficiency due to any required valuations of the investments in such reserve account until the balance in such reserve account is at least equal to the amount required to restore such reserve account to the amount required to be maintained therein.

The Treasurer will, without duplication, deposit into the Interest Account as soon as practicable in each month, the amount described in clause (d) under "Interest Account" above.

Excess Earnings and Certain Other Amounts. Following the transfers described above as required by the Resolution, the Treasurer will deposit into the excess earnings or rebate account or yield reduction sinking fund or account (established for the purpose of reducing the yield on certain proceeds of Bonds on deposit in a refunding escrow fund in order to satisfy the rules relating to the yield restriction of such proceeds under section 148 of the Code and applicable regulations of the United States Treasury) for the Prior Parity Bonds, the 2019A Bonds, and any other Bonds or Parity Debt the amount, if any, at such times as will be required pursuant to the Supplemental Resolution or other document creating such account.

Renewal and Replacement Account. Following the transfers described above as required by the Resolution, the Treasurer will set aside in the Renewal and Replacement Account as soon as practicable in each month such amount, if any, required by prior action of the City Council. To date, the City Council has not required the Renewal and Replacement Account to be funded and does not anticipate taking any such action. All amounts in the Renewal and Replacement Account will be applied to acquisition and construction of renewals and replacements to the Electric System to the extent provision therefor has not been made from other sources.

Surplus Account. On the first day of each calendar month, any amounts remaining in the Electric Revenue Fund after the above transfers and uses have been made, will be transferred to the Surplus Account and may be: (i) invested in any Authorized Investments, (ii) used for the redemption of any Outstanding Bonds that are subject to call and redemption prior to maturity or for the purchase from time to time in the open market of any of the Outstanding Bonds whether or not subject to call (irrespective of the maturity or number of such Bonds) at such prices and in such manner, either at public or private sale, or otherwise as the City in its discretion may determine, but if the Bonds are subject to call and redemption prior to maturity, the purchase price (including brokerage or other charges, but excluding accrued interest) will not exceed the redemption price on the next interest payment date of such Bonds so purchased, or (iii) used in any lawful manner.

Application of Funds in the Bond Service Account.

Interest Account. Amounts in the Interest Account will be used and withdrawn by the Treasurer solely for the purpose of (i) paying interest on the Bonds as it will become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity), (ii) making payments to providers of any Credit Facility for any Bonds with respect to reimbursement to such providers of interest payments on any Bonds made by such providers and (iii) paying amounts due under Subordinate Obligations.

Principal Account.

(a) All amounts in the Principal Account will be used and withdrawn by the Treasurer solely for the purposes of paying the Bond Obligation of the Bonds when due and payable at maturity or upon redemption and making payments to providers of any Credit Facility for any Bonds with respect to reimbursement to such providers of payments of principal of Bonds made by such providers.

(b) Notwithstanding paragraph (a) above, the Treasurer may apply moneys in the Principal Account to the purchase of Bonds maturing or subject to mandatory sinking fund redemption (i) within the next six months in the case of Bonds subject to semi-annual maturity dates or semi-annual Mandatory Sinking Account Payments or (ii) within the next twelve months in the case of Bonds subject to annual maturity dates or annual Mandatory Sinking Account Payments (but only to the extent of amounts deposited in the Principal Account in respect of such Bonds), at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as is directed by the City, except that the purchase price (excluding accrued interest, in the case of Current Interest Bonds) will not exceed the principal amount or Accreted Value thereof. All Bonds purchased pursuant to this paragraph will be delivered to the Fiscal Agent for such Bonds and cancelled and destroyed by that Fiscal Agent and a certificate of destruction will be delivered to the Treasurer by the Fiscal Agent for such Series.

Rate Covenant

Existing Covenant. The City has covenanted under the Resolution to prescribe, revise and collect such rates and charges for the services, facilities and electricity of the Electric System during each Fiscal Year which, after making allowances for contingencies and error in estimates, will be at least sufficient to pay the following amounts in the order set forth:

(a) Operating and Maintenance Expenses;

(b) the interest on, principal and Accreted Value (or Mandatory Sinking Account Payment) of the Outstanding Bonds as they become due and payable;

(c) all other payments required for compliance with the Resolution or any Supplemental Resolutions; and

(d) all other payments required to meet any other obligations of the City that are charges, liens or encumbrances upon or payable from Net Operating Revenues (including, but not limited to, payments due under the Subordinate Obligations).

The charges will be so fixed that the Net Operating Revenues will be at least 1.10 times the amounts payable under (b) above plus 1.0 times the amounts payable under (c) and (d) above. For purposes of determining compliance with this rate covenant, Net Operating Revenues includes the amounts on deposit, as the date of determination, in any unrestricted funds of the Electric System designated by the City Council by resolution and available for the purpose of paying Operating and Maintenance Expenses and/or debt service on the Bonds.

Future Change in Rate Covenant. Pursuant to the Resolution No. 21934 adopted by the City Council on November 17, 2009, certain provisions of the Master Resolution were amended so that at such time as the 2008A Bonds and 2008C Bonds are no longer outstanding or the Subordinate Swaps and Subordinate Swap Policy are in effect without the consent of the

Subordinate Swap Providers (to the extent required by the Subordinate Swaps) or the Subordinate Swap Policy Providers (to the extent required by the Subordinate Swaps), the following paragraph will be added to the rate covenant:

> "For purposes of calculating the interest due [under (b) above under the subheading " – Existing Covenant,"] if interest on such Bonds or Parity Debt is reasonably anticipated to be reimbursed to the City by the United States of America pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009), or any future similar program, then interest payments with respect to such Bonds or Parity Debt will be excluded by the amount of such interest reasonably anticipated to be paid or reimbursed by the United States of America."

The foregoing paragraph will be applicable to the calculation of interest due and for determination of Maximum Annual Debt Service with respect to the 2010A Bonds.

The latest final maturity date of the 2008A Bonds and 2008C Bonds is October 1, 2035, although such Bonds could be redeemed earlier. See "PLAN OF FINANCE."

Debt Service Reserve Account Not Funded

Under the Resolution, the City may, but is not required to, establish, pursuant to a Supplemental Resolution, a separate reserve fund or account for any Series of Bonds issued thereunder. Although a separate reserve account is being established for the 2019A Bonds, the City is not funding such account and has no obligation to fund the account in the future. The owners of the 2019A Bonds will not be entitled to amounts on deposit in the Reserve Accounts established for other series of Bonds.

Additional Bonds and Parity Debt

The City may incur additional obligations payable from Net Operating Revenues as described below.

No Senior Debt. Under the Resolution, the City covenants that no additional bonds, notes or other evidences of indebtedness payable out of Net Operating Revenues will be issued having any priority in payment of principal or interest from the Electric Revenue Fund or out of any Net Operating Revenues payable into such fund over the Outstanding Bonds.

Additional Bonds and Parity Debt. The Resolution provides that, except Refunding Bonds or Parity Debt to the extent incurred to pay or discharge Outstanding Bonds or Parity Debt, no additional Bonds or Parity Debt will be issued or incurred unless:

(i) the City is not in default under the terms of the Resolution,

(ii) either:

(a) the Net Operating Revenues, calculated in accordance with generally accepted accounting principles, as shown by the books of the City for the latest fiscal year, or for any 12 consecutive month period within the last completed 18-month period ended not more than one month before the

issuance of or incurrence of such additional Bonds or Parity Debt as set forth in a Certificate of the City, or

(b) the estimated Net Operating Revenues for the first complete fiscal year when the improvements to the Electric System financed with the proceeds of the additional Bonds or Parity Debt will be in operation as estimated by and set forth in a Certificate of the City,

plus, in either case, at the option of the City, either or both of the items designated under (1) and (2) below, will have amounted to at least 1.10 times the Maximum Annual Debt Service in any fiscal year thereafter on all Bonds to be Outstanding and all Parity Debt to be outstanding immediately subsequent to the issuance or incurring of such additional Bonds or Parity Debt, and

(iii) on the date of delivery of and payment for such additional Bonds or Parity Debt, the amount in any reserve fund for any Bonds or Parity Debt will be not less than an amount required to be maintained in such fund pursuant to the Supplemental Resolution or other document creating such fund.

The items, either or both of which may be added to such Net Operating Revenues for the purpose of meeting the requirements in (ii) in the preceding paragraph, are the following:

(1) An allowance for any increase in Net Operating Revenues (including, without limitation, a reduction in Operating and Maintenance Expenses) which may arise from any additions to and extensions and improvements of the Electric System to be made or acquired with the proceeds of such additional Bonds or Parity Debt or with the proceeds of bonds previously issued, and also for net revenues from any such additions, extensions or improvements which have been made or acquired with moneys from any source but which, during all or any part of such fiscal year or such 12 consecutive month period within the last completed 18-month period, were not in service, all in an amount equal to the estimated additional average annual net revenues (or estimated average annual reduction in Operating and Maintenance Expenses) to be derived from such additions, extensions and improvements for the first 36-month period in which each addition, extension or improvement is respectively to be in operation, all as shown by the Certificate of the City; and

(2) An allowance for earnings arising from any increase in the charges made for the use of the Electric System which has become effective prior to the incurring of such additional indebtedness but which, during all or any part of such fiscal year or such 12 consecutive month period within the last completed 18-month period, was not in effect, in an amount equal to the amount by which the Net Operating Revenues would have been increased if such increase in charges had been in effect during the whole of such fiscal year or such 12 consecutive month period within the last completed 18-month period, as shown by the Certificate of the City.

For definitions of “Maximum Annual Debt Service” and other capitalized terms used in this Official Statement, see “APPENDIX C – Summary of Certain Provisions of the Resolution.” See also “– Rate Covenant” above for a change to the definition of Maximum Annual Debt Service that will be effective when the 2008A Bonds and 2008C Bonds are no longer outstanding. See “PLAN OF FINANCE.”

Subordinate Obligations

Under the Resolution, the City reserves the right to issue and incur obligations that are payable from Net Operating Revenues on a basis that is junior and subordinate to the payment of the Bonds or Parity Debt.

Existing Subordinate Obligations.[*]

Swap Agreements. The City previously entered into an interest rate swap agreement in the form of an International Swaps and Derivatives Association, Inc. ("**ISDA**") Master Agreement and Schedule and related Transactions thereto with Merrill Lynch Capital Services, Inc. (the "**2004 Swap Provider**") in connection with the City's Electric Revenue Bonds, Issue of 2004B (the "**2004 Swap Agreement**"). The 2004 Swap Agreement has been subsequently associated with the 2008A Bonds. The obligations of the 2004 Swap Provider under the 2004 Swap Agreement were guaranteed by Merrill Lynch & Co., Inc. (the "**2004 Swap Guarantor**"). The 2004 Swap Agreement has a scheduled termination date of October 1, 2029.

According to a representative of Bank of America Corporation, following the merger of the 2004 Swap Provider and Bank of America Corporation, the identities of the 2004 Swap Provider and 2004 Swap Guarantor have not changed. The 2004 Swap Provider and 2004 Swap Guarantor are wholly owned subsidiaries of Bank of America Corporation. *The City can provide no assurances as to the accuracy of the information summarized in this paragraph.*

Following the payment of the Swap Termination Cost in connection with the delivery of the 2019A Bonds, the 2004 Swap Agreement will have an outstanding notional amount with respect to the 2008A Bonds of $_____.

The City also entered into two interest rate swap agreements (each, a "**2005 Swap Agreement**" and collectively, the "**2005 Swap Agreements**") in the form of an ISDA Master Agreement and Schedule and Related Transactions thereto with Bear Stearns Capital Markets Inc. (the "**2005 Swap Provider**"; collectively with the 2004 Swap Provider, the "**Swap Providers**") in connection with its Electric Refunding/Revenue Bonds, Issue of 2005A (the "**2005A Bonds**"), and Electric Refunding/Revenue Bonds, Issue of 2005B (the "**2005B Bonds**"). The 2005 Swap Agreements were subsequently associated with the City's Variable Rate Refunding Electric Revenue Bonds, Issue of 2008B (the "**2008B Bonds**") and the 2008C Bonds, respectively. Upon refunding of the 2008B Bonds with the proceeds of the 2011A Bonds, the 2005 Swap Agreement associated with the 2008B Bonds became associated with the 2011A Bonds. The obligations of the 2005 Swap Provider under the 2005 Swap Agreements were guaranteed by The Bear Stearns Companies Inc. (the "**2005 Swap Guarantor**"). The 2005 Swap Agreements have scheduled termination dates of October 1, 2035.

Pursuant to a certain Assignment Agreement, dated as of May 2, 2011, by and among the City, Bear Stearns Capital Markets Inc., as assignor, and JPMorgan Chase Bank, as assignee, JPMorgan Chase Bank succeeded to the rights and assumed the obligations of the 2005 Swap Provider effective as of May 3, 2010.

[*] Preliminary; subject to change.

Following the payment of the Swap Termination Cost in connection with the delivery of the 2019A Bonds, the 2005 Swap Agreement associated with the 2008C Bonds will have an outstanding notional amount of $_____. The 2005 Swap Agreement associated with the 2011A Bonds has an outstanding notional amount of $_____.

The obligation of the City to make regularly scheduled payments to the Swap Providers under the 2004 Swap Agreement and 2005 Swap Agreements (collectively, the "**Swap Agreements**") is subordinate to the City's obligation to make payments on the Bonds and Parity Debt. Under the Swap Agreements, the City pays a fixed rate of interest on specified notional amounts. In return, each Swap Provider pays a variable rate of interest equal to a percentage of the London Interbank Offered Rate one-month index plus 12 basis points on a like notional amount, all as provided in each applicable Swap Agreement. The periodic amounts payable by a party under each of the Swap Agreements are netted against the payments to be received by such party.

Both the City and the Swap Providers have the right to terminate the Swap Agreements prior to their respective stated termination dates under certain circumstances, including a default or the occurrence of certain termination events, and the City may be required to make a substantial termination payment to the respective Swap Provider. In the event of early termination of any Swap Agreement, there can be no assurance that the City will (i) receive any termination payment payable to the City by the respective Swap Provider, (ii) have sufficient amounts to pay any termination payment payable by it to the respective Swap Provider or (iii) be able to obtain replacement Swap Agreements with comparable terms. The City expects to use all or a portion of the proceeds of the 2019A Bonds to terminate the amount of the Swap Agreements relating, as applicable, to the Redeemed Prior Variable Rate Bonds, all as further described in "PLAN OF FINANCE" in this Official Statement. In connection with the termination of Swap Agreements, the City has entered into such protocols, including any amendments or supplements to the Swap Agreements, to comply with ISDA's Dodd-Frank Documentation Initiative and other requirements, including responses to regulatory requirements binding others, imposed under Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

There is no guarantee that the floating rate payable to the City pursuant to each Swap Agreement will match the variable interest rate on the related Bonds at all times or at any time. Under certain circumstances, the respective Swap Provider may be obligated to make a payment to the City under a Swap Agreement that is less than the interest due on the related Bonds. In such event, the City would be obligated to pay such insufficiency from Net Operating Revenues. This has occurred on certain occasions.

Any amounts received by the City from the 2004 Swap Provider under the 2004 Swap Agreement and from the 2005 Swap Provider under the 2005 Swap Agreements constitute Gross Operating Revenues under the Resolution.

Revolving Credit Facility. On _____, 2019, the City entered into a revolving credit agreement (the "**Revolving Credit Agreement**") with U.S. Bank National Association. Under the terms and conditions of the Revolving Credit Agreement, the City may borrow up to $60,000,000 for purposes of the capital or operating financing needs of either the Electric System or the City's water public utility

system (the "**Revolving Credit Facility**"). Each advance under the Revolving Credit Facility that is allocated to the Electric System will be secured by a subordinate pledge of Net Operating Revenues and accrue interest at a variable rate calculated by reference to LIBOR on the first calendar day of each month. The Revolving Credit Facility matures on _____, 2022 (the "**Maturity Date**"); however, any advance not paid on the Maturity Date will convert to a term loan that will amortize in equal quarterly payments commencing 90 days after the Maturity Date, and the term loan will accrue interest at a variable rate and become due and payable in full on the third anniversary of the Maturity Date.

The periodic payments due to the City from counterparties under the City's outstanding Swap Agreements, and the amounts payable by the City under the Revolving Credit Facility, are calculated by reference to LIBOR. On July 27, 2017, the Financial Conduct Authority (the "**FCA**"), the U.K. regulatory body currently responsible for the regulation and supervision of LIBOR, announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR rates after 2021 (the "**FCA Announcement**"). It is not possible to predict the effects of the FCA Announcement or how any prospective phasing out of LIBOR as a reference rate and transition to an alternate benchmark rate will be implemented, but increased volatility in the reported LIBOR rates may occur and the level of such LIBOR-based swap and interest payments may be affected.

Future Subordinate Obligations. Nothing in the Resolution limits the ability of the City to issue or incur obligations that are junior and subordinate (including, but not limited to, Subordinate Obligations) to the payment of the principal, premium, interest and reserve fund requirements for the Bonds and all Parity Debt and which subordinate obligations are payable as to (but not limited to) principal, premium, interest and reserve fund requirements, if any, only out of Net Operating Revenues after the prior payment of all amounts then due required to be paid or set aside under the Resolution from Net Operating Revenues for principal, premium, interest and reserve fund requirements for the Bonds and all Parity Debt, as the same become due and payable and at the times and in the manner as required in the Resolution or any Parity Debt documents. Further, nothing in the Resolution limits the ability of the City to issue or incur obligations that are junior and subordinate to the payment of amounts due under the Subordinate Obligations and other obligations payable on a parity therewith and which subordinated obligations are payable only out of Net Operating Revenues after the prior payment of all amounts then due required to be paid or set aside under the Resolution from Net Operating Revenues (i) first, for principal, premium, interest and reserve fund requirements for the Bonds and all Parity Debt, as the same become due and payable and at the times and in the manner as required by this Resolution or any Parity Debt documents and (ii) thereafter, for payment of amounts due under the Subordinate Obligations and other obligations payable on a parity therewith, as the same become due and payable and at the times and in the manner as required in the Resolution.

THE PUBLIC UTILITIES DEPARTMENT

Management of the Public Utilities Department

Under the provisions of the California Constitution and Article XII of the City Charter, the City owns and operates both the electric and water utilities for its citizens. The City's Public Utilities Department (the "**Department**") exercises jurisdiction over the electric and water utilities owned, controlled and operated by the City. The Department is under the management and control of the City Manager, subject to the powers and duties vested in the Board and in the City Council, and is supervised by the Utilities General Manager who is responsible for design, construction, maintenance and operation of the electric and water utilities.

Management of the Department is as follows:

Mr. Todd Corbin, Utilities General Manager, is a Certified Public Accountant, and holds a Bachelor of Science in Business Administration/Accounting from Indiana University of Pennsylvania and a Master of Public Administration from California State University, San Bernardino. He joined the City in November 2018 with nearly 30 years of California utility experience, including serving as General Manager of the Jurupa Community Services District for six years. Prior to that, he served in various management roles including Assistant General Manager of the Cucamonga Valley Water District in Rancho Cucamonga.

Mr. Todd L. Jorgenson, Utilities Assistant General Manager/Water, holds a Bachelor of Science and a Master of Science in Civil Engineering from Brigham Young University and a Master of Business Administration from California State University, San Bernardino. He has been with the City since 2004 and served in various management roles including Interim Utilities General Manager, Engineering Manager, Operations Manager and Senior Engineer. He has over 20 years of experience in the utility industry.

Ms. Aileen Ma, Interim Utilities Assistant General Manager/Finance & Administration, is a Certified Public Accountant, and holds a Bachelor of Science in Business Administration with an Accounting emphasis from California State University, Los Angeles and a Master of Business Administration from University of California, Irvine. She has over 21 years of experience in audit, accounting and finance administration. She has been with the Department since 2006 and has served in the positions of Utilities Principal Analyst and Utilities Fiscal Manager.

Mr. Daniel E. Garcia, Utilities Assistant General Manager/Resources, holds a Bachelor of Science in Business Management from Woodbury University and has over 30 years of multi-utilities experience including water, electric and gas. He has been with the Department since 2007 and has served in various management roles including Market Operations Manager and Interim Planning Manager-Resources.

Mr. George R. Hanson, Utilities Assistant General Manager/Energy Delivery, holds a Bachelor of Science degree from University of California Irvine and a Master of Science degree from California State University Long Beach in Civil Engineering and is a registered Professional Engineer in the State of California. He has been with the Department since 2010 and has served in various management roles including Engineering Manager and Electric Field Manager. He has been involved in the electric utility industry for 27 years.

Board of Public Utilities

The Board, created by Article XII, Section 1201 of the City Charter, currently consists of nine members appointed by the City Council. As set forth in said Article XII, the Board, among other things, has the power and obligation to: (1) consider the annual budget for the Department during the process of its preparation and make recommendations with respect thereto to the City Council and the City Manager; (2) within the limits of the budget of the Department, authorize and award bids for the purchase of equipment, materials or supplies, exceeding the sum of $50,000, and authorize the acquisition, construction, improvement, extension, enlargement, diminution or curtailment of all or any part of any public utility system, and no such purchase, acquisition, construction, improvement, extension, enlargement, diminution or curtailment may be made without such authorization; (3) within the limits of the budget of the Department, make appropriations from the contingency reserve fund for capital expenditures directly related to the appropriate utility function; (4) require of the City Manager monthly reports of receipts and expenditures of the Department, segregated as to each separate utility, and monthly statements of the general condition of the Department and its facilities; (5) establish rates for water and electric revenue producing utilities owned, controlled, or operated by the City, but subject to the approval of the City Council; (6) approve or disapprove the appointment of the Utilities General Manager, who shall be the Department head; (7) make such reports and recommendations to the City Council regarding the Department as it shall deem advisable; (8) designate its own secretary; and (9) exercise such other powers and perform such other duties as may be prescribed by ordinance not inconsistent with any of the provisions of the City Charter.

The voters in the City passed Measure MM (the "**Measure**") on November 2, 2004, which became fully effective upon approval of the City Council on May 17, 2005. The Measure amended the City Charter provisions and granted the authority to award bids and authorize procurement contracts to the Board. It streamlines the process for procurement approvals by eliminating the need for City Council approval, assuming funding authority exists in the Department's budget, as adopted or amended by the City Council. Contracts that are subject to the Measure are public works, goods, and non-professional and professional services. Contracts related to property acquisitions/dispositions, power and transmission and other negotiated agreements are not affected by the Measure, and remain subject to prior approval requirements established by the City Council.

The present members of the Board and their respective terms of appointment are:

Jo Lynne Russo-Pereyra – Chair of the Board, appointed to the Board in 2017, term expires March 1, 2021. Ms. Russo-Pereyra has over 19 years' experience in the water industry and has served as an Assistant General Manager for a local water district.

David R. Austin – Vice Chair of the Board, appointed to the Board in 2013, term expires March 1, 2021. Mr. Austin is retired from the City's Fire Department.

David M. Crohn – Appointed to the Board in 2016, term expires March 1, 2020. Mr. Crohn is an Associate Professor in the Department of Environmental Sciences at a local university.

Kevin D. Foust – Appointed to the Board in 2016, term expires March 1, 2020. Mr. Foust is a Senior Engineering Specialist for a large corporation in Irvine.

Jeanette Hernandez – Appointed to the Board in 2018, term expires March 1, 2022. Ms. Hernandez is a legal assistant at a local county court.

Jennifer C. O'Farrell – Appointed to the Board in 2015, term expires March 1, 2019. Ms. O'Farrell is an Executive Director for a non-profit organization of the Inland Empire.

Gildardo Oceguera – Appointed to the Board in 2017, term expires March 1, 2021. Mr. Oceguera is a retired high school principal with prior experience as a teacher and high school and community college counselor.

Elizabeth E. Sanchez-Monville – Appointed to the Board in 2016, term expires March 1, 2022. Ms. Sanchez-Monville has over 17 years' experience in government, where she has led advocacy efforts for publicly-owned utilities in California.

Andrew C. Walcker – Appointed to the Board in 2013, term expires March 1, 2021. Mr. Walcker is a Principal of a local consulting company.

The Department's administrative offices are located at 3750 University Avenue, 3rd Floor, Riverside, California 92501.

Employment Matters

Employee Relations. As of July 1, 2018, 489 City employees were assigned specifically to the Electric System. Certain functions supporting the Electric System operations, including meter reading, customer billing and collections, are performed by the staff of the Riverside Public Utilities Department. Substantially all of the non-administrative City personnel assigned to the Electric System are represented by the International Brotherhood of Electrical Workers ("**IBEW**"). The City and IBEW are parties to a Memorandum of Understanding that expires on September 30, 2021. Portions of the administrative staff are represented by the Service Employees International Union ("**SEIU**"). The City and the SEIU are parties to a Memorandum of Understanding that expires on June 30, 2020. While not under a memorandum of understanding, all unrepresented employees have compensation and benefit packages approved by the City Council. On December 13, 2016, the City Council approved changes for unrepresented employees through January 2021.

The Electric System has faced no strikes or other work stoppages within the last 10 years, and the City does not anticipate any in the near future.

Employee Retirement System. Retirement benefits to City employees, including those assigned to the Electric System, are provided through the City's participation in the California Public Employees Retirement System ("**CalPERS**"), an agency, multiple-employer, public employee retirement system that acts as a common investment and administrative agency for participating public entities within the State of California. CalPERS issues a separate, publicly available financial report that includes financial statements and required supplemental information of participating public entities within the State of California. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, Lincoln Plaza Complex, 400 Q Street, Sacramento, California 95811 or at www.calpers.ca.gov. *This Internet address is included for reference only, and the information on this Internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on this Internet site.*

The City has contributed at the actuarially determined rate provided by CalPERS' actuaries. Participants are required to contribute 8 percent of their annual covered salary. The City has a multiple tier retirement plan with benefits varying by plan. All permanent full-time and selected part-time employees are eligible for participation in CalPERS. Benefits vest after five years of service and are determined by a formula that considers the employee's age, years of service and salary. All the bargaining units included in the Miscellaneous CalPERS Plan, including Management, SEIU, and IBEW employees of the Electric System and the City's water utility ("**Water System**"), agreed to change the calculation of the CalPERS retirement benefit for new employees from utilizing the highest year of salary to the average of the highest three years of salary, which addressed concerns associated with salary increases in the year immediately prior to retirement. This change was effective for employees hired on or after December 9, 2011.

The California Public Employees' Pension Reform Act of 2012 ("**PEPRA**") enacted statewide pension reforms effective January 1, 2013, which the City has implemented. Employees hired after January 1, 2013, may retire at age 62 and receive 2.0% of their highest salary for each year of service completed. The formula is adjusted to encourage employees to retire at later ages, with a 2.5% cap at age 67. The average highest three years of salary continue to be used to calculate the retirement benefit under the new plan. CalPERS also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance.

Under the current plan, the City pays the employees' contribution to CalPERS for employees hired on or before specific dates as follows:

- 1st Tier –
    - The retirement formula is 2.7 percent at age 55 for unrepresented employees hired before October 19, 2011. Effective January 1, 2018, the employees were required to pay 2 percent of the employee contribution of their pensionable income, with the City contributing the other 6 percent. Effective January 1, 2019, employees are required to pay an additional portion of their pensionable income. This portion is a three-year increase of 2 percent (2019), 2 percent (2020) and 2 percent (2021). By 2021, employees will be contributing the entire 8 percent of their pensionable income.

    - The retirement formula is 2.7 percent at age 55 for SEIU employees hired before June 7, 2011. The employees were required to pay 6 percent of their pensionable income with the City contributing the other 2 percent. Effective January 1, 2019, employees are required to pay an additional portion of their pensionable income. This portion is a two-year increase of 1 percent (2019) and 1 percent (2020). By 2020, employees will be contributing the entire 8 percent of their pensionable income.

    - The retirement formula is 2.7 percent at age 55 for IBEW employees hired before October 19, 2011. Effective November 1, 2017 employees contributed 2 percent of their total pensionable income with the City paying the remaining 6 percent. Effective November 1, 2018, employees are required to pay an additional portion of their pensionable income. This portion is a three-year increase of 2 percent (2018), 2 percent (2019) and 2 percent (2020). By 2020, employees will be contributing the entire 8 percent of their pensionable income.

- 2nd Tier - The retirement formula is 2.7 percent at age 55, and:
    - SEIU employees hired on or after June 7, 2011, pay their share (8 percent) of contributions.
    - All other Miscellaneous Plan employees hired on or after October 19, 2011, pay their share (8 percent) of contributions.
- 3rd Tier - The retirement formula is 2 percent at age 62 for new members hired on or after January 1, 2013, and the employee must pay the employee share ranging from 7 percent to 8 percent based on bargaining group classification. Classic members (CalPERS members prior to December 31, 2012) hired on or after January 1, 2013, may be placed in a different tier.

PEPRA also established a cap on the amount of compensation that can be used to calculate the retirement benefit for employees hired on or after January 1, 2013, which limits the benefit to 120% of the Social Security wage index limit for 2017 of $142,530 for employees not covered by Social Security and $118,775 for employees participating in Social Security. This cap will be adjusted annually by the Consumer Price Index for All Urban Consumers. PEPRA also prevents employers from offering defined benefit plans for compensation in excess of the cap, but does allow for contributions to a defined contribution plan for compensation in excess of the cap. PEPRA specifies that employees will not have a vested right to any employer contributions to defined contribution plans related to this provision. The City has not made any enhancements to the compensation package for employees hired on or after January 1, 2013, with compensation exceeding the cap.

***CalPERS Discount Rate Adjustment*.** On March 14, 2012, the CalPERS Board voted to lower the CalPERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "**CalPERS Discount Rate**") from 7.75% to 7.5%. On November 17, 2015, the CalPERS Board approved a new funding risk mitigation policy to incrementally lower the CalPERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing CalPERS Discount Rate by at least four percentage points. On December 21, 2016, the CalPERS Board voted to lower the CalPERS Discount Rate to 7.0% over the three years in accordance with the following schedule: 7.375% in fiscal year 2017-18, 7.25% in fiscal year 2018-19 and 7.00% in fiscal year 2019-20. The new discount rates went into effect on July 1, 2018, for the City. Lowering the CalPERS Discount Rate likely means employers that contract with CalPERS to administer their pension plans (such as the City) will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under PEPRA, will likely also see their contribution rates rise. The three-year reduction of the discount rate to 7.0% is expected to result in average employer rate increases of approximately 1-3% of normal cost as a percent of payroll for most miscellaneous retirement plans.

The Electric System's total contributions to CalPERS as of June 30, 2018 and 2017 were $9,073,000 and $9,447,000, respectively. In addition, the Electric System is obligated to pay its share of the City's pension obligation bonds, which the City issued in 2005 and of which the City refinanced a portion in May 2017 (the "**Pension Obligation Bonds**"). The Electric System's total proportionate share of the outstanding principal amount of the Pension Obligation Bonds was $10,418,000 and $12,312,000 as of June 30, 2018 and 2017, respectively. That share will amortize based on the amortization schedule of the Pension Obligation Bonds. Payments made by the Electric System to fund its share of the Pension Obligation Bonds are payable as an Operating and Maintenance Expense. Citywide information concerning elements

of the net pension liability, contributions to CalPERS and recent trend information may be found in the notes to the basic financial statements in the City's Comprehensive Annual Financial Report ("**CAFR**") for the Fiscal Year ended June 30, 2018, which may be obtained on the City's website. See also Notes 1 and 4 to the audited financial statements of the Electric System attached as APPENDIX B to this Official Statement for further discussion.

More recent information as to the actuarial status of the City's Miscellaneous Plan has been provided in CalPERS' Annual Valuation Report, dated July 2018, with respect to the City, which is the most recent actuarial valuation report available as of the date of this Official Statement. As shown in the table below, the report provides a recent history of the City's contribution rates for its Miscellaneous Plan, as determined by the annual actuarial valuation. The following table does not account for prepayments or benefit changes made in the middle of the year.

Table 1
History of City's Contribution Rate and Unfunded Liability Payment Due[(1)]

Fiscal Year	Employer Normal Cost	Unfunded Rate	Total Employer Contribution Rate	Unfunded Liability Payment Due
2007-08	11.877%	1.418%	13.295%	N/A
2008-09	11.962	2.207	14.169	N/A
2009-10	12.043	2.176	14.219	N/A
2010-11	11.987	2.520	14.507	N/A
2011-12	11.823	6.615	18.438	N/A
2012-13	11.814	6.463	18.277	N/A
2013-14	11.851	6.463	18.314	N/A
2014-15	11.554	7.440	18.994	N/A
2015-16[(2)]	11.871	9.141	21.012	N/A
2016-17[(2)]	12.250	10.728	22.978	N/A
2017-18[(2)]	12.136	N/A	N/A	$15,683,043
2018-19[(2)]	12.314	N/A	N/A	19,422,351
2019-20[(2)]	12.866	N/A	N/A	22,752,102

(1) Beginning in fiscal year 2017-18, CalPERS collects employer contributions toward the plan's unfunded liability as dollar amounts instead of the prior method of a contribution rate. This change was made to address potential funding issues that could arise from a declining payroll or reduction in the number of active members in the plan. Funding the unfunded liability as a percentage of payroll could lead to the underfunding of the plans. Although employers will be invoiced at the beginning of each fiscal year for their unfunded liability payment, the plan's normal cost contribution will continue to be collected as a percentage of payroll.

(2) Sourced from CalPERS' Annual Valuation Report, dated July 2018. The rates reflect the effect of PEPRA enactment. PEPRA is discussed earlier in this section.

In addition, the report provides the recent history of the actuarial accrued liability, the market value of assets, funded ratio and the annual covered payroll as shown in the table below. The funded ratio is an indicator of the short-term solvency of the Miscellaneous Plan.

Table 2
City's Funding History

Valuation Date (June 30)	Accrued Liability	Market Value of Assets (MVA)	Unfunded Liability	Funded Ratio	Annual Covered Payroll
2007	$770,088,775	$847,867,117	N/A[1]	110.1%	$102,434,585
2008	828,351,283	795,222,167	N/A[1]	96.0	110,869,947
2009	921,349,334	590,044,979	$331,304,355	64.0	110,317,579
2010	952,499,597	660,844,061	291,655,536	69.4	106,590,492
2011	998,216,259	786,080,314	212,135,945	78.7	108,106,192
2012	1,046,199,578	766,804,452	279,395,126	73.3	110,037,157
2013	1,086,925,211	847,232,156	239,693,055	77.9	110,552,014
2014	1,180,549,024	972,056,589	208,492,435	82.3	110,534,205
2015	1,228,644,007	969,285,454	259,358,553	78.9	111,185,202
2016	1,277,998,975	949,866,377	328,132,598	74.3	113,072,729
2017	1,317,421,178	1,029,759,135	287,662,043	78.2	118,644,799

[1] Information on Unfunded Liability not available for Valuation Date of June 30, 2007 and June 30, 2008.

Other Post-Employment Benefits. The Electric System contributes to two single-employer defined benefit healthcare plans: the Stipend Plan and the Implied Subsidy Plan. These plans provide other post-employment health care benefits ("**OPEB**") for eligible retirees and beneficiaries.

The Stipend Plan is available to eligible IBEW retirees and beneficiaries pursuant to their collective bargaining agreement. Benefit provisions for the Stipend Plan are established and amended through the memorandum of understanding with IBEW as approved by the City Council, which currently provides for the Electric System to make contributions on a "pay-as-you-go-basis." The union establishes the benefits paid to retirees and the City is not required by law or contractual agreement to provide funding for the plan other than as specified in the memorandum of understanding, which currently provides for a contribution of $100 per month per active IBEW employee.

The Implied Subsidy Plan allows retirees and current employees to be insured together as a group, and allows a lower rate for retirees than if they were insured separately. Upon retirement, retirees pay the full amount of applicable premiums; however, they participate in the Electric System's healthcare plans and, as such, an implicit subsidy exists. The Electric System's contributions to the Implied Subsidy Plan are established by the City Council. The Electric System is not required by law or contractual agreement to provide funding other than the pay-as-you-go amount necessary to provide current benefits to eligible retirees and beneficiaries.

Effective for the fiscal year ended June 30, 2018, the Governmental Accounting Standards Board ("**GASB**") issued its Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement requires a net OPEB liability to now be reported on the face of the financial statements, similar to the net pension liability. GASB Statement 75 requires that most changes in the net OPEB liability be included in OPEB expense in the period of the change. For the fiscal year ended June 30, 2018, the OPEB expense recorded for the Electric System was $683,099. The Electric System's net OPEB liability as of June 30, 2018 was $8,283,000.

Additional information regarding the City's citywide retirement plans and OPEB, including information regarding the assumptions used to determine the pension and OPEB

liabilities and the funding requirements therefor, can be found in Notes 14 and 15 to the basic financial statements in the City's Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2018, which may be obtained on the City's website at https://www.riversideca.gov/finance/cafr/. *This Internet address is included for reference only, and the information on this Internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on this Internet site.*

Investment Policy and Controls

Unexpended revenues from the operation of the Electric System, including amounts held in the Electric Revenue Fund prior to expenditure as described in this Official Statement, are invested under the direction of the City Treasurer, who is charged to pursue the primary objective of safety and, thereafter, the objectives of liquidity and yield. The City's investment portfolio is managed to provide the necessary liquidity to fund daily operations. Cash flow is continually reviewed, and the City manages 100% of its own funds.

The management and accounting functions of the City's investment portfolio are separated. The City Treasurer renders a quarterly report of investment activity to the City Manager and City Council.

The City's portfolio is currently comprised of fixed rate United States Government Agency Bonds, federal agency securities, corporate notes that are rated at least "A", certificates of deposit and money market funds, including the State of California Local Agency Investment Fund. The City entered into certain interest rate swap agreements in connection with previously issued Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2019A BONDS – Subordinate Obligations."

The City's investment policy requires the investment of City funds to be made in accordance with Section 53600 et seq. of the California Government Code and the City's Investment Policy approved by the City Council on December 15, 2015. In the past, the City Council has annually delegated authority to the City's Treasurer for responsibility over investments in connection with its budget-adoption process. See Note 2 to the audited financial statements of the Electric System attached as APPENDIX B to this Official Statement and Note 3 to the City's basic financial statements in the City's Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2018, which may be obtained on the City's website at https://www.riversideca.gov/finance/cafr. *This Internet address is included for reference only, and the information on this Internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on this Internet site.*

THE ELECTRIC SYSTEM

General

The Electric System operates as a vertically integrated utility providing service to virtually all electric consumers within the city limits of the City, which encompasses 81.5 square miles. The Electric System provides service throughout the City to domestic, commercial, industrial, agricultural, municipal and other customers. For the fiscal year ended June 30, 2018, the number of customers of the Electric System was 109,619.

Power Supply

The Electric System's power supply requirements are met through:

(i) the City's Springs Generating Project, RERC Units 1, 2, 3 and 4 and Clearwater (see "– City-Owned Generating Facilities");

(ii) entitlements in the IPP Generating Station, the Hoover Power Plant and, through the City's participation in SCPPA, PVNGS (see "– Entitlements");

(iii) long-term power purchase agreements for renewable energy (see "– Renewable Resources");

(iv) purchases of firm energy from various western utilities when it is available at an economical price or when needed to satisfy periods of peak demand (see "– Firm Contracts and Market Purchases"); and

(v) energy purchases through the CAISO centralized markets (see "– Firm Contracts and Market Purchases").

For the fiscal year ended June 30, 2018, the overall average net cost of generation and transmission was 7.4 cents per kilowatt-hour ("**kWh**").

During the fiscal year ended June 30, 2018, the Electric System generated and purchased a total of 2,305,200 MWh of electricity for delivery to customers throughout the City. The following table sets forth the amounts in MWh and percentages of electricity obtained by the City during the fiscal year ended June 30, 2018.

Table 3
Annual Electricity Supply[(1)]
Fiscal Year Ended June 30, 2018

Resources	MWh	Percentage
Renewable Resources	798,200	34.6%
Firm Contracts and Market Purchases	633,500	27.5
IPP Generating Station	627,100	27.2
Springs, RERC and Clearwater	114,500	5.0
PVNGS	102,900	4.4
Hoover Power Plant	29,000	1.3
Total	2,305,200	100.0%

(1) Includes native load, losses, and wholesale power sales.

The system peak for the fiscal year ended June 30, 2018, and the new historic system peak, of 640.3 MW was set on August 31, 2017. The following table sets forth, in MWh of electricity, the total purchases of power and Electric System peak demand during the periods shown.

Table 4
Total Energy Generated and Purchased and Peak Demand

	Fiscal Year Ended June 30,				
	2014	**2015**	**2016**	**2017**	**2018**
From City's Own Generation (MWh)....	91,500	65,000	76,400	119,000	122,700
From Other Sources (MWh).....	2,188,000	2,252,100	2,251,000	2,190,500	2,182,500
System Total (MWh)[(1)].....	2,279,500	2,317,100	2,327,400	2,309,500	2,305,200
System Peak Demand (MW).....	577.9	604.4[(2)]	598.6	581.7	640.3[(2)]
System Native Load (MWh).....	2,148,000	2,165,000	2,169,000	2,197,000	2,195,000

(1) Before system losses.
(2) Increase primarily due to warmer weather patterns.

City-Owned Generating Facilities

City-owned generating facilities include the City's Springs Generating Project, RERC Units 1, 2, 3 and 4, and Clearwater.

Springs Generating Project. The Springs Generating Project (which began commercial operations in 2002) consists of four natural gas, simple cycle, turbine generators, each with a capacity of 10 MW (for a total of 40 MW). The Springs Generating Project is used primarily to serve the Electric System's native load during periods of super peak power demand in the City. These facilities are also available to be used if normal operations of the Electric System are disrupted and will provide essential emergency services within the City, such as hospital care, traffic control and police and fire dispatching.

RERC Units 1, 2, 3 and 4. RERC Units 1 and 2 are natural gas-fired, simple-cycle plants located in the City, consisting of two General Electric LM 6000 SPRINT combustion turbines, nominally rated at 49 MW each (net power at site conditions) and related sub-transmission lines. The construction of the units was completed in June 2006. The units have a combined operating capacity of 98 MW with emission levels that allow for approximately 1,200 hours of run time per unit, per year. RERC Units 3 and 4 are of the same make, model and operating characteristics as RERC Units 1 and 2 and achieved commercial operation on April 1, 2011. RERC Units 3 and 4 have a combined operating capacity of 98 MW with emission levels that allow for approximately 150 hours of run time per unit, per month. All four RERC Units serve the Electric System's native load when economically feasible or during periods of peak power demand in the City, enhance reliability and service delivery to customers and provide energy and ancillary services in the CAISO markets. See "– California Independent System Operator."

Clearwater. Clearwater consists of a single, GE LM2500, combustion turbine generator operating in combined cycle with one RENTECH heat recovery steam generator, and one SHIN NIPPON steam turbine generator. The gross plant output of Clearwater is 29.5 MW. The City acquired Clearwater from the City of Corona, California, effective September 1, 2010. Clearwater has been included in the City's resource portfolio, and the necessary air quality permits to operate Clearwater up to a baseload configuration are in place. Clearwater is also

utilized by the City to meet the local resource adequacy requirements of the CAISO. See "– California Independent System Operator."

Decommissioning of SONGS. The City has a 1.79% undivided ownership interest in Units 2 and 3 of San Onofre Nuclear Generating Station ("**SONGS**"); however, on June 7, 2013, Southern California Edison Company ("**SCE**"), as principal owner and operating agent, announced its plan to retire Units 2 and 3 of SONGS permanently, triggering the start of decommissioning. Consequently, the Units are no longer a power resource for the Electric System. The process of decommissioning the nuclear power plant is expected to take many years and is governed by Nuclear Regulatory Commission regulations. According to the 2017 Decommissioning Cost Estimate provided by SCE, the total decommissioning costs for Units 2 and 3 are estimated at $4.7 billion, of which the Electric System's Share is approximately $84 million. The Electric System has established trust accounts and an unrestricted designated decommissioning reserve to accumulate resources for the decommissioning process. As of June 30, 2018, the Electric System has paid $23.5 million for its share of the decommissioning costs from the trust accounts. The remaining estimated costs of $60.6 million are expected to be fully covered by the trust accounts and the unrestricted designated decommissioning reserve, which at June 30, 2018, had a value of $57 million and $8 million, respectively; however, due to the uncertainty of future unknown costs, the Electric System will continue to set aside funds in the unrestricted designated decommissioning reserve of $1.6 million annually, as approved by the Board and City Council. On October 1, 2018, the City applied $11,005,000 received in settlements and refunds in connection with the decommissioning of SONGS to the defeasance of a portion the 2008D Bonds in the same amount.

Fuel Supply/Procurement. The City's RERC, Springs and Clearwater generating plants are fueled by natural gas. The City procures natural gas from credit-approved counter-parties for its natural gas generation plants on a monthly and daily basis. Historically, the summer months have been the City's primary focus for natural gas procurement as the City has reliability requirements to run internal generation during high load days. Additionally, natural gas procurement is needed when it is determined to be more economical to run internal generation than to buy from the CAISO energy markets. Finally, natural gas procurement is needed to meet resource adequacy obligations and to meet the reliability needs of the City during line outages or system emergencies that occur.

Entitlements

IPP Generating Station. The City has a 7.617% (approximately 137.1 MW) entitlement in the coal-fired IPP Generating Station Units 1 and 2 located near Lynndyl, Utah, which were declared to be commercially operational in June 1986 and May 1987, respectively. The City has entered into a power sales agreement with the IPA, as the owner of IPP, which obligates the City to purchase its share of capacity and energy of IPP on a take-or-pay basis (the "**IPP Contract**"). The IPP Contract expires in 2027. See "– Joint Powers Agency Obligations."

IPP consists of: (a) two coal-fired, steam-electric generating units with net ratings of 900 MW each and a switchyard located near Lynndyl, Utah; (b) a rail car service center located in Springville, Utah; (c) certain water rights; and (d) certain transmission facilities consisting primarily of the Southern Transmission System (the "**STS**"). See "Transmission Facilities - Southern Transmission System."

There are 35 utilities that purchase the output of IPP, consisting of the City, and the California cities of Los Angeles, Anaheim, Burbank, Glendale and Pasadena, 23 members of IPA, and six rural electric cooperatives serving loads in the States of Utah, Arizona, Colorado,

Nevada and Wyoming. IPP is operated by the City of Los Angeles, through its Department of Water and Power ("**LADWP**").

The IPP Generating Station's annual coal requirement is approximately 3.6 million tons. LADWP, in its role as the operating agent of the IPP, buys coal under contracts to fulfill this supply requirement of the IPP. Coal is purchased under a portfolio of fixed price contracts that are of short and long-term in duration. LADWP has reported that from now through 2019, coal presently under contract is sufficient, with the exercise of available options, to meet the IPP's annual coal requirements, with lesser amounts of coal under contract thereafter through 2024. IPA attempts to maintain a coal stockpile at IPP that is sufficient to operate the plant at current plant capacity factors for about 60 days, in the event of a disruption in coal supply.

Transportation of coal to IPP is provided to IPA primarily by rail under its agreements with the Utah Railway and Union Pacific Railroad companies, and the coal is transported primarily in Intermountain Power Agency-owned railcars. Coal can also be transported, to some extent, in commercial trucks.

Under Senate Bill 1368, the City is precluded from renewing the IPP Power Purchase Contract at the end of its term in June 2027. See "– Electric System Strategic Plan – Power Resource Portfolio Management" and "DEVELOPMENTS IN THE ENERGY MARKETS – State Legislation – Senate Bill 1368 – Emission Performance Standard."

In order to facilitate the continued participation in the IPP, the IPA Board of Directors issued the Second Amendatory Power Sales Contract, which amended the IPP Contract allowing the plant to replace the coal units with combined cycle natural gas units by July 1, 2025. IPA and purchasers representing 100% of IPA's generation entitlement share completed and executed the Renewal Power Sales Contract, which will allow such participants to continue taking power from the IPP fueled initially by natural gas for the period of 2027 through 2077. After extensive discussions among IPA and the IPP participants, it was determined that the participants' demand would not support the current design capacity of the currently, contractually obligated repowering plan ("**IPP Repower Project**") of 1,200 MWs. As a result, the IPP Coordinating Committee, the IPP Renewal Contract Coordinating Committee and the IPA Board of Directors concluded that it was in the best interest of the participants to downsize the future IPP Repower Project from 1,200 MW, to 840 MW, and to redesign the power block. Such reduction in megawatts and the change in configuration would be considered an "Alternative Repowering" under the Second Amendatory Power Sales Contract. On September 11, 2018, the Riverside City Council approved an "Alternative Repowering" for the IPP and the amendments to the Second Amendatory Power Sales Contract and the Renewal Power Sales Contract. The City's entitlement share in the Alternative Repowering Project is 4.167% (35 MW).

Under provisions of the Renewal Power Sales Contract, certain California participants, including the City, have the right to exit completely from the IPP Repower Project or any Alternative Repowering by providing a written notice to IPA at least 90 days prior to November 1, 2019, terminating its Renewal Power Sales Contract.

Hoover Power Plant. The Hoover Power Plant is located on the Arizona-Nevada border approximately 25 miles east of Las Vegas, Nevada, and is owned and operated by the U.S. Department of the Interior's Bureau of Reclamation (the "**Bureau**"). The power from the project is marketed by the Western Area Power Administration ("**Western**").

Modern insulation technology made it possible to "uprate" (i.e., improve the power output) the nameplate capacity of existing generators. The Hoover Uprating Project consisted principally of the uprating of the capacity of the 17 existing generating units at the hydroelectric

power plant of the Hoover Dam. The City along with the cities of Anaheim, Azusa, Banning, Burbank, Colton, Glendale, Pasadena, and Vernon obtained entitlements totaling 127 MW of capacity and approximately 143,000 MWh of allocated energy annually from the Hoover Uprating Project. In 1987, to reflect these entitlements, these cities entered into contracts with the Bureau providing for the advancement of funds for the uprating and with Western for the purchase of power from the Hoover Uprating Project. Subsequently, the City and the cities of Anaheim, Azusa, Banning, Burbank and Colton (the "**Hoover Participants**") entered into assignment agreements with SCPPA to assign their entitlements in return for SCPPA's agreement to provide funds to the Bureau to pay for the Hoover Participants' share of the Hoover Uprating Project costs. The City obtained a 31.9% (30 MW) entitlement interest in SCPPA's approximately 94 MW interest in the total capacity and allocated energy of Hoover Dam. The City executed a power sales contract with SCPPA under which the City agreed to make monthly payments on a take-or-pay basis in exchange for its entitlement of SCPPA's proportionate share of capacity and allocated energy. The Hoover Uprating Project was completed in 1993. The City's entitlement in the Hoover project through SCPPA terminated on September 30, 2017. From and after October 1, 2017, SCPPA had no bonds outstanding with respect to the Hoover Uprating Project.

The City renegotiated and executed new agreements with the Bureau and Western, which became effective on October 1, 2017 and expire on September 30, 2067. The City's entitlement is approximately 30 MW (1.461% of the total project); however due to low lake levels resulting from prolonged drought conditions, the City's available capacity entitlement has been reduced to approximately 24 MW as of June 2018.

PVNGS. The City has a 5.4% (12 MW) entitlement interest in SCPPA's 5.91% ownership interest in PVNGS, including certain associated facilities and contractual rights, 5.44% ownership in the Arizona Nuclear Power Project High Voltage Switchyard and associated contractual rights, and 6.55% share of the rights to use certain portions of the Arizona Nuclear Power Project Valley Transmission System. The City has entered into a power sales agreement with SCPPA that obligates the City to purchase its share of capacity and energy on a take-or-pay basis.

PVNGS consists of three nearly identical nuclear electric generating units located on an approximately 4,000-acre site about 50 miles west of Phoenix, Arizona. Units 1, 2 and 3 (each designed for a 40-year life) achieved firm operation on January 27, 1986, September 18, 1986, and January 19, 1988, respectively.

Units 1, 2 and 3 each operate under a 40-year Full-Power Operating License from the NRC. The Full-Power Operating Licenses for Units 1, 2 and 3 expire in 2025, 2026 and 2027, respectively. In April 2011, the NRC has approved 20-year license extensions for all three units, allowing the three units to extend operations until 2045, 2046 and 2047, respectively. SCPPA has informed the City that all other permits, licenses and approvals necessary to operate the PVNGS have been secured. Arizona Public Service Company ("**APS**") is the Construction Manager and Operating Agent of PVNGS and the Westwing 500 kV Switchyard. The high-voltage switchyard portion of the PVNGS was constructed, and is being managed, by Salt River Project Agricultural Improvement and Power District.

The co-owners of PVNGS have created external accounts for the decommissioning of PVNGS at the end of its life. SCPPA's records indicate that the aggregate balance of the external accounts for decommissioning was approximately $175.5 million at June 30, 2018. Based on the most recent 2016 estimate of decommissioning costs prepared by TLG Engineering, SCPPA has advised the City that it estimates that the City's share of the amount

required for decommissioning of PVNGS is over funded. No assurance can be given, however, that such amount will be sufficient to fully fund SCPPA's share of decommissioning costs at license expiration and commencement of decommissioning activities. SCPPA has advised the City that it anticipates receiving a new estimate of decommissioning costs every three years. The next study is anticipated to begin December 31, 2019.

APS currently stores spent nuclear fuel in on-site pools near the Units. The pools have reached capacity, and additional on-site spent fuel storage has been used until a permanent repository for high-level nuclear waste developed by the federal government becomes available. The additional onsite spent fuel storage has been provided by an independent spent fuel storage installation. The installation uses dry cask storage similar to that being used at other nuclear plants, such as SONGS, and is designed to accept all spent fuel generated by PVNGS during its lifetime. As of October 31, 2018, 152 casks, each containing 24 spent fuel assemblies, have been put into storage using the installation.

APS ships all of its low-level radioactive waste to available disposal sites in Utah and South Carolina. In August 1995, a storage facility for low-level radioactive materials was opened at PVNGS to allow temporary on-site storage in case the disposal sites are not available. APS estimates that the storage facility has sufficient storage capacity to store all low-level radioactive waste produced at PVNGS until the end of operations. This on-site storage facility remains fully available.

For information about certain seismic risks relating to PVNGS, see "RISK FACTORS – Casualty Risk."

Renewable Resources

In an effort to increase the share of renewables in the City's power portfolio, the City entered into power purchase agreements (each, a "**PPA**") with various entities described below in general on a "take-and-pay" basis.

For a discussion of California law relating to renewable portfolio standards, the adoption of a plan by the City with respect to such standards, and the City's compliance with its plan, see "DEVELOPMENTS IN THE ENERGY MARKETS – State Legislation – Senate Bill X1-2 – California Renewable Energy Resource Act." For a discussion of other California law relating to renewable energy, See also "DEVELOPMENTS IN THE ENERGY MARKETS – State Legislation – Senate Bill 350 – Clean Energy and Pollution Reduction Act of 2015" and "– Senate Bill 100 – The 100 Percent Clean Energy Act of 2018."

Table 5
Long-Term Renewable PPAs in Operation

Supplier	Type	Maximum Contract[1]	Contract Expiration
Salton Sea Power LLC	Geothermal	46.0 MW	5/31/2020
CalEnergy – Salton Sea Portfolio	Geothermal	40.0 MW[2]	12/31/2039
WKN Wagner	Wind	6.0 MW	12/22/2032
SunEdison - AP North Lake	Photovoltaic	20.0 MW	8/11/2040
Dominion Columbia II	Photovoltaic	11.1 MW	12/22/2034
GlidePath Power Solutions – GPS Cabazon Wind LLC	Wind	39.0 MW	1/1/2025
Capital Dynamics – Kingbird Solar B, LLC	Photovoltaic	14.0 MW	12/31/2036
sPower			
Summer Solar	Photovoltaic	10.0 MW	12/31/2041
Antelope Big Sky Ranch	Photovoltaic	10.0 MW	12/31/2041
Antelope DSR 1 Solar	Photovoltaic	25.0 MW	12/19/2036
Capital Dynamics – Tequesquite Landfill Solar	Photovoltaic	7.3 MW	12/31/2040
American Renewable Power – Loyalton	Biomass	0.8 MW	04/19/2023
Total		229.2 MW	

(1) All contracts are contingent on energy delivered from specific related generating facilities. The City has no commitment to pay any amounts except for energy delivered on a monthly basis from these facilities except for any economic curtailments directed by the City.

(2) Increases to 86 MW in 2020. See "– Salton Sea."

Salton Sea. On May 20, 2003, the City and Salton Sea Power LLC ("**Salton Sea**") entered into a ten-year PPA for 20 MW of geothermal energy (the "**Salton Sea PPA**"). On August 23, 2005, the City Council approved an amendment to the PPA that increases the amount of renewable energy available to the City from 20 MW to 46 MW effective June 1, 2009, through May 31, 2020.

On May 14, 2013, the City Council approved a new 25-year PPA with CalEnergy, the parent of Salton Sea, for additional renewable geothermal power (the "**CalEnergy PPA**"). Under the CalEnergy PPA, power is provided from a portfolio of ten geothermal generating units, instead of a single generating unit, with an increasing amount of delivery that started with 20 MW in 2016 and increasing to 40 MW in 2019 and 86 MW in 2020. The initial price under the agreement was $72.85 per MWh in calendar year 2016 which will escalate at 1.5% annually for the remaining term of the agreement.

Concurrently, the pricing under the Salton Sea PPA has been amended to conform to pricing in the CalEnergy PPA through the remaining term of the Salton Sea PPA. The pricing under the Salton Sea PPA increased by approximately $7.57 per MWh, commencing July 1, 2013, to $69.66 per MWh, with an escalation of 1.5% annually thereafter. In exchange for the increased payment under the existing agreement, the City received a significantly discounted price under the CalEnergy PPA. The cost increase under the Salton Sea PPA is approximately $2.5 million per year for the agreement's remaining term. This increase in price through fiscal year 2017-18 is recorded in the Statements of Net Position as unamortized purchased power in the amount of $11.1 million, to be amortized over the term of the CalEnergy PPA.

WKN Wagner. On December 20, 2012, the City entered into a 20-year PPA with WKN Wagner, LLC ("**WKN**") for up to 6 MW of capacity and approximately 21,000 MWh of associated renewable wind energy per year and renewable energy credits from the WKN Wagner wind project in Palm Springs, California at a levelized cost of $73 per MWh.

SunEdison - AP North Lake. On October 16, 2012, the City entered into a 25-year PPA with AP North Lake, LLC ("**AP North**") for 20 MW of capacity and approximately 55,000 MWh of associated renewable solar photovoltaic energy per year generated by a new facility located in the City of Hemet, California at a levelized cost of $95 per MWh for the term of the PPA. The AP North project became fully operational in August 2015.

Dominion Columbia II. On September 19, 2013, the City entered into two 20-year power sale agreements ("**PSAs**") with SCPPA for a combined 26 MW of solar photovoltaic energy generated by two facilities to be built by Recurrent Energy in Kern County, California. The two projects initially intended to be developed are referred to as Clearwater and Columbia II Solar Photovoltaic Projects, with a nameplate capacity of 20 MW and 15 MW, respectively. Unanticipated permitting challenges for Clearwater stalled and eventually terminated construction plans for the facility in 2014. As a result, the City received liquidated damages in the amount of $1.3 million from the Clearwater project in fiscal year ended June 30, 2016. The liquidated damages were reported as other non-operating revenues on the Statement of Revenues, Expenses and Changes in Net Position. On March 14, 2014, a Consent and Agreement was entered into by SCPPA consenting to the transfer of ownership of the Columbia II project from Recurrent Energy to Dominion Resources. The Columbia II project completed construction and achieved commercial operation in December 2014. The City has a 74.29% share (11.1 MW) of the output from the Columbia II project through SCPPA, who has a 15 MW PPA with Dominion Resources. The City's share of Columbia II is approximately 33,000 MWh of renewable energy per year with an all-in price for energy, capacity and environmental attributes of $69.98 per MWh over the term of the agreements.

GlidePath Power Solutions – GPS Cabazon Wind LLC. On December 6, 2013, the City and FPL Energy Cabazon Wind, LLC ("**Cabazon Wind**") entered into a 10-year PPA for 39 MW of capacity and approximately 71,200 MWh of associated renewable wind energy per year with an all-in price for energy, capacity and environmental attributes of $59.30 per MWh over the term of the agreement from the Cabazon Wind Energy Center near Cabazon, California. Cabazon Wind is an existing renewable resource that has been in commercial operation since 1999. SCE purchased the output of the facility through December 2014. At the expiration of SCE's contract, Cabazon Wind entered into new interconnection and generation agreements with the CAISO and SCE. The developer completed the implementation of the transition to the City as of January 1, 2015. Delivery under the PPA commenced on January 1, 2015. In 2018, after it was acquired by GlidePath Power Solutions, FPL Energy Cabazon Wind, LLC changed its name to GPS Cabazon Wind, LLC.

Capital Dynamics – Kingbird Solar B, LLC. On September 19, 2013, the City entered into a 20-year PSA with SCPPA for 14 MW of solar photovoltaic energy generated by a facility to be built by First Solar in Kern County, California. The project is referred to as the Kingbird B Solar Photovoltaic Project, with a nameplate capacity of 20 MW. The City has a 70% share of the output from the project through SCPPA, which has a 20 MW PPA with Kingbird Solar B, LLC, which was acquired by Capital Dynamics in 2018. The project became commercially operational on April 30, 2016. The City's share from the project is approximately 35,000 MWh of renewable energy per year with an all-in price for energy, capacity and environmental attributes of $68.75 per MWh over the term of the agreement.

sPower – Summer Solar, Antelope Big Sky Ranch and DSR 1 Solar. On January 17, 2013, the City entered into two 25-year Power Sales Agreements ("**PSAs**") with SCPPA for a combined total of 20 MW of solar photovoltaic energy generated by two facilities to be built in the City of Lancaster by Silverado Power, which later changed its name to sPower after a series of ownership changes. The two projects are referred to as Antelope Big Sky Ranch and Summer Solar, each rated at 20 MW. The City has a 50% share of the output from each project through SCPPA, who has two 20 MW PPAs with sPower. The projects became commercially operational on August 19, 2016 and July 25, 2016, respectively. The City's share from the two projects is approximately 55,000 MWh of renewable energy per year. The price under the agreements is $71.25 per MWh over the term of the agreements.

On July 16, 2015, the City entered into a 20-year PSA with SCPPA for 25 MW of capacity and approximately 71,000 MWh of renewable solar photovoltaic energy per year generated by sPower's Antelope DSR 1 Solar PV Project in the City of Lancaster, California with an all-in price for energy, capacity and environmental attributes of $53.75 per MWh over the term of the agreement. The City has a 50% share of the output from the project through SCPPA, who has a 50 MW PPA with sPower. The project became commercially operational on December 20, 2016.

Capital Dynamics – Tequesquite Landfill Solar. On March 11, 2014, the City and Solar Star California XXXI, LLC ("**Solar Star**") entered into a 25-year PPA for 7.3 MW of capacity and approximately 15,000 MWh of renewable solar photovoltaic energy per year generated by a facility to be built on the City-owned Tequesquite Landfill. The project became fully commissioned and operational on September 30, 2015. The all-in price for energy, capacity and environmental attributes of $81.30 per MWh escalating at 1.5% annually. In 2018, Capital Dynamics became the new parent company of Solar Star after acquiring it from SunPower.

American Renewable Power – Loyalton. On November 16, 2017, the City entered into a 5-year PSA with SCPPA for 0.8 MW of biomass energy generated by American Renewable Power ("**ARP**")-Loyalton Biomass Project. The City has a 4.48% share of the output

of the project through SCPPA, which has an 18 MW PPA with ARP-Loyalton. The project became commercially operational on April 20, 2018. The City's share of ARP Loyalton is approximately 6,358 MWh of renewable energy per year with an all-in price for energy, capacity and environmental attributes of $97.50 per MWh over the term of the agreement. Such share satisfies a portion of the City's obligations under Senate Bill 859, as discussed under the heading "DEVELOPMENTS IN THE ENERGY MARKETS – State Legislation – Senate Bill 859 – "Budget Trailer Bill" – Biomass Mandate."

Firm Contracts and Market Purchases

The City supplements the energy available from its firm resources with energy purchased from other suppliers throughout the western United States, as well as the CAISO Integrated Forward Market ("**IFM**") and real time market. These purchases are made under the Western Systems Power Pool ("**WSPP**") Agreement and numerous short-term bilateral agreements between the City and various suppliers. Energy purchases in the CAISO markets are made under the FERC-approved CAISO Tariff.

In the fiscal year ending June 30, 2018, the City purchased 633,500 MWh of firm energy (about 27.5% of its total energy) through short-term contracts. The purchases for the fiscal year ending June 30, 2018, consisted of 425,100 MWh purchased through the CAISO IFM and 208,400 MWh purchased from WSPP counterparties. The cost of obtaining the necessary energy will depend upon contract requirements and the current market price for energy. Spot market prices are dependent upon such factors as natural gas prices, the availability of generating resources in the region, fuel type, and weather conditions such as ambient temperatures and the amount of rainfall or snowfall. Generating unit outages, dry weather, hot or cold temperatures, time of year, transmission constraints, and other factors can all affect the supply and price of energy. See "DEVELOPMENTS IN THE ENERGY MARKETS."

Wholesale Power Trading Policies and Risk Management

In October 1998, the City Council adopted formal policies for the administration of energy risk management activities within the Power Resources Division of the Electric System. These policies define the limits for power trading activities to mitigate and reduce risks associated with this business activity. The City also appointed an Energy Risk Manager in 1999 to oversee the development, implementation, and ongoing monitoring of a formalized financial risk management program for power supply activities. Since 1998, the policies have been reviewed on an annual basis, and recommended changes have been periodically adopted by the City Council.

Recently, the policies were updated to incorporate changes in regulatory and legislative requirements, including an amendment to authorized transactions, organizational structure and reporting requirements. The comprehensive updated policies were approved by the Utility's Board and City Council on February 1, 2013 and March 5, 2013, respectively, and include the Energy Risk Management Policy, a Wholesale Counterparty Risk Management Policy and an Authorized Transactions Policy. The Wholesale Counterparty Risk Management Policy was amended for non-substantive changes on April 29, 2014.

California Independent System Operator

The City serves as its own Scheduling Coordinator with the CAISO and serves as the scheduling agent, under separate Utility Service Agreements, for the Cities of Banning and Rancho Cucamonga. In addition, the City serves as the scheduling agent for SCPPA's Columbia II Solar, Kingbird B Solar, Summer Solar, Antelope DSR 1 Solar, and ARP-Loyalton

Biomass projects under various Scheduling Coordinator Agreements. Services under the referenced agreements include day-ahead and real time scheduling of power from various sources, after-the-fact validation and settlement of transactions, and billing and payments.

On July 10, 2002, the City notified the CAISO of its intent to become a Participating Transmission Owner ("**PTO**") by turning over operational control of the City's transmission entitlements (the "**CAISO-Transferred Entitlements**") to the CAISO effective January 1, 2003. In November 2002, the City executed the Transmission Control Agreement ("**TCA**") between the CAISO and the PTOs.

Certain of the City's CAISO-Transferred Entitlements relate to transmission facilities, including the Southern Transmission System, that were financed by SCPPA utilizing tax-exempt bonds. The City executed certain transmission service contracts with SCPPA that prohibit the City from taking any action that would adversely affect the tax-exempt status of the SCPPA bonds. If the City were to be found to have breached such contractual obligation, the City could be subjected to significant financial liability. The TCA executed by the City and submitted by the CAISO on November 19, 2002, for approval by the FERC contained certain withdrawal provisions that the City believes will protect the tax-exempt status of the SCPPA bonds and satisfy the City's contractual obligation to SCPPA under its transmission service contracts.

On January 1, 2003, the City became a PTO with the CAISO, entitling the City to receive compensation for the use of its transmission entitlements committed to the CAISO's operational control. The compensation is based upon the City's TRR as approved by FERC. Included in the City's TRR are all costs associated with the City's participation in SCPPA's transmission projects (as described under the headings "– Transmission Facilities – Southern Transmission System," "– Mead-Phoenix Transmission Project" and "– Mead-Adelanto Transmission Project"). The City obtains all of its transmission entitlements from the CAISO.

Since becoming a PTO with the CAISO, the City has filed three TRR's with FERC. The City's base TRR is adjusted annually for (among other things) automatic pass throughs of certain costs approved by FERC. For the fiscal year ended June 30, 2018, the City collected $37,484,000 in TRR revenue.

Transmission Facilities

The paragraphs that follow describe the City's transmission facilities.

***Southern Transmission System*.** The STS is one of three major components of the IPP. In connection with its entitlement to IPP, the City assigned its entitlement to capacity of the STS to SCPPA, in exchange for which SCPPA agreed to make payments-in-aid of construction of the STS and issued revenue bonds to finance the costs thereof. Pursuant to a transmission service contract with SCPPA, the City acquired a 10.2% (195 MW) entitlement in SCPPA's share of the transfer capability of the STS. The City's contractual entitlement extends until 2027. See "– Joint Powers Agency Obligations." Among other things, the STS provides for the transmission of energy from IPP to the California transmission grid.

STS consists of the following: (a) the AC / DC Intermountain Converter Station adjacent to the IPP Generating Station's AC switchyard in Utah; (b) the ±500 kV DC bi-pole transmission line ("**HVDC transmission line**"), 488 miles in length, from the Intermountain Converter Station to the City of Adelanto, California; (c) the AC / DC Adelanto Converter Station, where the STS connects to the switching and transmission facilities of LADWP; and (d) related microwave communication system facilities. The HVDC transmission line is capable of transmitting an amount of power that exceeds the aggregate output of the IPP Generating Station to be

delivered to the SCPPA participants. The AC/DC converter stations each consist of two solid state converter valve groups and have a combined rating of 2,400 MW (upgraded from 1,920 MW in 2010, increasing the City's total entitlement in the STS from 195 MW to 244 MW). The microwave communication facilities are used for IPP Generating Station dispatch, for communication, and for control and protection of the STS. The microwave facilities are located along two routes between the IPP Generating Station and the Adelanto Switching Station, forming a looped network.

Pursuant to a transmission service contract with SCPPA, the City is obligated to pay as an Operating and Maintenance Expense its share of debt service on bonds issued by SCPPA in connection with the STS on a take-or-pay basis, as well as capital costs and costs related to operation and maintenance. See "– Joint Powers Agency Obligations."

Mead-Phoenix Transmission Project. Originally in connection with its entitlement to PVNGS power, the City acquired a 4.0% (12 MW) entitlement in SCPPA's member-related ownership share of the Mead-Phoenix Transmission Project ("**Mead-Phoenix**"), which is separate from the SCPPA interest acquired on behalf of Western and the SCPPA interest later acquired on behalf of LADWP only. The City has entered into a transmission service contract with SCPPA that obligates the City to pay as an Operating and Maintenance Expense its share of debt service on bonds issued by SCPPA in connection with the SCPPA member-related interest in Mead-Phoenix on a take-or-pay basis, as well as capital costs and costs related to operation and maintenance. See "– Joint Powers Agency Obligations."

Mead-Phoenix consists of a 256-mile, 500-kV AC transmission line that extends between a southern terminus at the existing Westwing Substation (in the vicinity of Phoenix, Arizona) and a northern terminus at Marketplace Substation, a substation located approximately 17 miles southwest of Boulder City, Nevada. The line is looped through the 500-kV switchyard constructed at Western's existing Mead Substation in southern Nevada with transfer capability of 1,923 MW (as a result of upgrades completed in 2009, increasing the City's total entitlement in the Mead-Phoenix from 12 MW to 18 MW). By connecting to Marketplace Substation, Mead-Phoenix interconnects with the Mead-Adelanto Transmission Project (as described below) and with the McCullough Substation. Mead-Phoenix is comprised of three project components. SCPPA has executed an ownership agreement providing it with an 18.3077% member-related ownership share in the Westwing-Mead project component, a 17.7563% member-related ownership share in the Mead Substation project component, and a 22.4082% member-related ownership share in the Mead-Marketplace project component. Other owners of the line are APS, Salt River Project and Startrans IO, L.L.C. ("**Startrans**"). The project entered commercial operation on May 15, 1996.

Mead-Adelanto Transmission Project. In connection with Mead-Phoenix, the City has acquired a 13.5% (118 MW) entitlement to SCPPA's member-related ownership share of the Mead-Adelanto Transmission Project ("**Mead-Adelanto**"), which is separate from the SCPPA interest acquired on behalf of Western and the SCPPA interest later acquired on behalf of LADWP only. Mead-Adelanto consists of a 202-mile, 500-kV AC transmission line that extends between a southwest terminus at the existing Adelanto Substation in southern California and a northeast terminus at Marketplace Substation. By connecting to Marketplace Substation, the line interconnects with Mead-Phoenix and the existing McCullough Substation in southern Nevada. The line has a transfer capability of 1,291 MW. SCPPA has executed an ownership agreement providing it with a total of a 67.9167% member-related ownership share in the project. The other owner of the line is Startrans. The City has entered into a transmission service contract with SCPPA that obligates the City to pay as an Operating and Maintenance Expense its share of debt service on bonds issued by SCPPA in connection with Mead-

Adelanto on a take-or-pay basis, as well as capital costs and costs related to operation and maintenance. See "– Joint Powers Agency Obligations." The project entered commercial operation on May 15, 1996, which coincided with the completion of Mead-Phoenix .

Sub-Transmission and Distribution. Power is supplied to the City through seven separate, 69,000-volt, sub-transmission lines from a substation that is owned and operated by SCE. These lines are used for the sole purpose of delivering electric energy from SCE's Vista Substation to the northerly limits of the City. Each of the 69,000-volt sub-transmission lines is then interconnected to the City-owned and operated, 69,000-volt, sub-transmission system at multiple substations.

As of July 1, 2018, the City had 99.2 circuit miles of sub-transmission and 1,345 circuit miles of distribution lines, of which approximately 831 circuit miles are underground. There are 14 substations, with a combined capacity of 1,012 million volt-amperes ("**MVA**"). The City is currently undertaking the Riverside Transmission Reliability Project ("**RTRP**"), which includes the construction of a 230-69 kV, transmission substation. RTRP will provide a second point of interconnection to the California transmission grid and the addition of new 69 kV transmission lines to transmit power from the new substation and distribute energy to the City's local distribution substations. The costs of the RTRP have been partially financed by Bonds issued in 2008 and 2010. On December 4, 2007, the City added a reliability charge to its electric rates to assist with funding the City's portion of the cost of RTRP. RTRP is a joint project between the City and SCE. In April 2015, SCE applied for a Certificate of Public Convenience and Necessity from the CPUC for their portion of the project. The CPUC prepared a Draft Subsequent Environmental Impact Report ("**SEIR**") to address changes to the project. The draft SEIR was circulated for public comment on April 2, 2018. The CPUC issued the final SEIR on October 2, 2018, marking the completion of the CPUC's California Environmental Quality Act review process. The CPUC has begun its general proceeding process and is expected to issue a proposed decision on SCE's application in the fourth quarter of 2019. The CPUC hosted a pre-hearing conference on November 13, 2018, and the scoping memo from the administrative law judge is expected to be issued by January 2019.

Capital Improvement Program

As part of its budget and planning process, the City prepared a five-year Electric System Capital Improvement Program ("**CIP**") for fiscal years ending June 30, 2019, through June 30, 2023, totaling approximately $177.5 million:

	Five-Year CIP ($000) Fiscal Years 2019-2023
Overhead	$ 31,919
Underground	34,440
Substation	25,222
Recurring/Obligation to Serve	51,435
System Automation	34,510
Total	$177,526

The five-year CIP is supported by the Electric System's rate plan (see "– Electric System Rates and Charges") and addresses the need to replace and modernize the most vital portions of the City's aging electric infrastructure. Overhead and underground projects include the rehabilitation and replacement of overhead equipment, such as poles, wires, transformers, and streetlights and underground equipment such as conduits and cables to improve safety,

efficiency and reliability of the electric system. Substation includes improvements to neighborhood power stations to efficiently distribute power throughout the service area. Recurring projects are projects related to the Electric System's obligation to serve new incoming load. System automation includes projects for technology, security and system automation tools and applications to improve cyber security and overall efficiency. The majority of the five-year CIP, approximately $148 million, will be funded by bond financing with the balance to be funded by a combination of rates, reserves and other resources.

Customers and Energy Sales

The following tables set forth the number of meters as of the fiscal year end and total energy sold during the periods presented.

Table 6
Number of Meters

	Fiscal Year Ended June 30,				
	2014	**2015**	**2016**	**2017**	**2018**
Domestic[1]	96,820	96,664	96,934	97,372	97,531
Commercial	10,558	10,757	10,898	11,016	11,181
Industrial	898	888	891	833	854
Other	82	79	53	53	53
Total – all classes	108,358	108,388	108,776	109,274	109,619

(1) Decrease in meters, as adjusted in fiscal year ended June 30, 2015, was most likely due to timing of billing customers. A new billing system was implemented in that fiscal year.

Table 7
Energy Sold
(Millions of kWh)

	Fiscal Year Ended June 30,				
	2014	**2015**	**2016**	**2017**	**2018**
Domestic	700	711	726	730	727
Commercial	421	428	438	448	447
Industrial	997	995	982	996	999
Other	30	31	23	23	22
Wholesale Sales[1]	4	2	0	1	0
Total kWh Sold [2]	2,152	2,167	2,169	2,198	2,195

(1) For fiscal year ended June 30, 2018, and June 30, 2016, wholesale kWh was less than 1 million kWh.
(2) The difference between the total kWh generated and purchased and the total kWh sold is due to transmission and/or distribution system losses.

Customer Concentration

The following table lists the Electric System's top 10 customers for the fiscal year ended June 30, 2018, by type of business.

Table 8
Top 10 Electric Customers
Fiscal Year Ended June 30, 2018
(Dollars in Thousands)

Electric Customer	Electric Charges	Percent of Total Electric Revenues
Local University	$12,548	4.1%
Local Government	8,075	2.6
Local Government	7,864	2.6
Local School District	4,442	1.4
Corporation	3,990	1.3
Corporation	3,696	1.2
Corporation	3,160	1.0
Hospital	2,778	0.9
Hospital	2,717	0.9
Local University	2,620	0.9
Total	$51,890	16.9%

The City has a strong and diverse customer base with minimal exposure to customer concentration. Many of the Electric System's industrial customers have loads under 500 kW. The Electric System's three largest customers provided approximately 4.1%, 2.6% and 2.6% of its revenues, respectively, for the fiscal year ended June 30, 2018. The Electric System's five largest customers provided approximately 12.0% of revenues for the fiscal year ended June 30, 2018.

Electric Rates and Charges

The City is obligated by its City Charter and by the resolutions under which it has Electric System Revenue Bonds outstanding to establish rates and collect charges in an amount sufficient to meet its operation and maintenance expenses and debt service requirements, with specified requirements as to priority and coverage. Electric rates are established by the Board and approved by the City Council. Electric rates are not subject to the general regulatory jurisdiction of the CPUC or any other state agency. The California Public Utilities Code contains certain provisions affecting all municipal utilities such as the Electric System, including provisions for a public benefits charge. At this time, neither the CPUC nor any regulatory authority of the state nor FERC approves the City's retail electric rates, although FERC does approve the City's TRR included in the Transmission Access Charge collected from users of the CAISO transmission grid.

Although its rates are not subject to approval by any federal agency, the City is subject to certain ratemaking provisions of the federal Public Utility Regulatory Policies Act of 1978 ("**PURPA**"). PURPA requires state regulatory authorities and nonregulated electric utilities, including the City, to consider certain ratemaking standards and to make certain determinations in connection therewith. The City believes that it is operating in compliance with PURPA.

In January 1998, the City began collecting a surcharge for public benefit programs on customer utility bills. This surcharge was mandated by State legislation (i.e., Assembly Bill 1890

and subsequent legislation) and is restricted to various socially-beneficial programs and services.

As of January 1, 2019, the Electric System has 18 rate schedules in effect. The City provides no free electric service.

A rate proposal was provided to the Board and City Council in August and September 2017 after commissioning a rate study completed by an independent third party, dated August 13, 2017. In October and November 2017, staff conducted a comprehensive community outreach effort to present and obtain feedback on the rate plan proposal. Outreach efforts included various community meetings hosted by the Riverside Public Utilities Department as well as distribution of information materials to multiple neighborhood and business groups. Joint workshops with Board and City Council were held in November 2017 and January 2018 to discuss the results of outreach and obtain direction for a required public hearing and subsequent rate adoption. After holding the required public hearing on May 14, 2018, the Board adopted and recommended the City Council approve the five-year Electric Rate Plan.

On May 22, 2018, the City Council approved a five-year electric rate plan, with rate increases effective on January 1, 2019, 2020, 2021, 2022 and 2023, with annual reviews of the adopted rates by City Council. The system average rate increase effective January 1, 2019 is 2.95%, followed by system average rate increases of 3.0% effective on January 1, 2020, 2021, 2022, and 2023. Actual increases vary by customer class and usage level. Under this plan, a new Network Access Charge will be implemented for customer classes based upon either the customer's monthly billing demand or actual energy usage, all according to the customer's applicable rate class. The Network Access Charge will recover the infrastructure and operating costs to maintain the City's distribution system to provide service to the City's customers. Additional electric rate structure changes include extending the residential summer season adjustment for energy use from three months to four months and restructuring the industrial time of use Reliability Charge from a single fixed charge to a tiered charge based on customer demand.

Historically, electric rates for the City's customers have been lower than rates for SCE customers. Based on rates in place as of June 30, 2018, the City's single family residential customers with annual monthly average consumption of 592 kWh would pay an average of 25.5% higher rates if served by SCE.

Based on the City's rates effective January 1, 2019, the City's single family residential customers with annual monthly average consumption of 592 kWh would pay an average of 23.6% higher rates if served by SCE. The City cannot predict future rate actions with respect to SCE or other utilities.

The following table sets forth the average billing price per kWh for the various customer classes during the five Fiscal Years shown.

Table 9
Average Billing Price (Cents) Per Kilowatt-Hour[(1)]
(Retail Sales)

	Fiscal Year Ended June 30,				
	2014	**2015**	**2016**	**2017**	**2018**
Residential	16.00	16.05	16.12	16.12	15.91
Commercial	15.94	16.02	15.92	15.96	15.90
Industrial	11.16	11.28	11.58	11.59	11.52
Other	18.51	18.29	20.91	21.29	21.29
System Averages	13.77	13.88	14.07	14.08	13.97

(1) Figures above do not include public benefit surcharge of 2.85% pursuant to AB 1890.
Source: City of Riverside

Billings and Collections

Electric System service charges are billed and collected on a monthly Statement of Municipal Services and combined with the charges of the City's water, sewer and refuse utilities. The customer service, billing and collection operations are provided for all utilities by designated functions of the City's Public Utilities, Public Works, Finance and Information Technology Departments, coordinated through Riverside Public Utilities.

Bills are due and payable on presentation, and become delinquent after 21 days. Although the City is not subject to the jurisdiction of the CPUC or other agencies, collection activities for the City substantially conform to the requirements of the California Public Utilities Code Section 10010. Accounts that have not paid their bills by the delinquency date receive an urgent notice providing an additional 10 days to pay. If no payment is received, a 48-hour notice is delivered by Utility Field Service staff, and the customer is charged a $20 notification fee. If payment is not received by this deadline, metered service (Water and/or Electric) may be turned off approximately 1 to 5 working days later. Before service is reinstated, the customer must pay the delinquent amount and a reconnection fee ranging between $40 and $75, and may be required to pay a customer deposit. SB 998, enacted in 2018, will impose certain restrictions on the City's ability to turn off water connections to customers for non-payment of water charges.

Public Utilities Department manages delinquencies of amounts billed for the City's Electric System and water, sewer and refuse utilities. Delinquencies from inactive accounts are turned over to a collection agency 90 days after account closure.

Uncollectible Accounts

Over the past five years, an average of approximately 0.2% of the City's customer accounts were uncollectible accounts on an annual basis, representing approximately $603,200 of total billable revenue (or approximately $304.6 million). The following table shows the historical results of the utility's accounts receivable and collection efforts:

Table 10
History of Billings and Collections
As of June 30,
(Dollars in Thousands)

Fiscal Year	Billings	Payments	Write-Off as % of Billing[(1)]	Write-Off	Ending Accounts Receivable Balance[(2)]
2014	$299,069	$297,920	0.214%	$639	$32,760
2015	303,116	304,190	0.182	551	31,135
2016	308,304	307,845	0.212	654	30,940
2017	308,017	306,847	0.220	677	31,433
2018	304,445	306,166	0.162	495	29,217

(1) Represents the amount shown under the column entitled "Write-Off" divided by amount shown under the column entitled "Billings" for the corresponding year.

(2) The ending accounts receivable balance of any fiscal year is equal to the ending balance of the previous fiscal year plus billings minus payments minus write-offs. The ending accounts receivable balance at June 30, 2013, was $32,250.

Transfers to the General Fund of the City

Effective December 1, 1977, transfers to the General Fund of the City of surplus funds of the Electric System (after payment of Operating and Maintenance Expenses and debt service on Bonds) are limited by Article XII of the City Charter, as approved by the voters and adopted by the City Council on November 15, 1977. Such transfers are limited to 12 equal monthly installments during each fiscal year constituting a total amount not to exceed 11.5% of the Gross Operating Revenues, exclusive of any surcharges, for the last fiscal year ended and reported by an independent public auditor.

In anticipation of deregulation, the City reduced the General Fund transfer level to 9% from 10.5% in 1996. It is the City Council's policy to review this transfer annually, and as a result, the City Council increased it by $3.0 million beginning in fiscal year 2005 and an additional $2.0 million beginning in fiscal year 2007. Including the increases, the total amount contributed to the General Fund was below the maximum authorized by the City Charter. As of fiscal year 2009-10, the City increased the General Fund transfer from 9% to 11.5%, the maximum authorized by the City Charter, where it remains currently. The General Fund transfer is funded through the existing rate plan, thus requiring no additional rate adjustments.

The transfers to the General Fund of the City for the fiscal year ending June 30, 2018, were $40,072,600 (approximately 11.5% of the prior fiscal year's Gross Operating Revenues). The budgeted transfer to the General Fund of the City for the fiscal year ending June 30, 2019 is $39,886,400 (approximately 11.5% of the prior fiscal year's Gross Operating Revenues).

See "– Litigation" for a description of recent lawsuits relating to the General Fund transfer and the Electric System's rates. If a court were to conclude that the General Fund

transfer from the Electric System is not a cost of providing the service of the Electric System, then the Electric System might be required to revise its rates and charges to eliminate the revenues needed to pay the General Fund transfer, and the Electric System could be required to rebate to its customers the amount of any rates and charges in excess of the cost of service. In such an event, the Electric System most likely would require the City to return the challenged General Fund transfer, and the Electric System would be prohibited from making any future General Fund transfers.

California Public Utilities Code 10004.5 provides for the following statute of limitations for any challenge to the validity of the Electric System's rates:

> … [A]ny judicial action or proceeding against a municipal corporation that provides electric utility service, to attack, review, set aside, void, or annul an ordinance, resolution, or motion fixing or changing a rate or charge for an electric commodity or an electric service furnished by a municipal corporation… shall be commenced within 120 days of the effective date of that ordinance, resolution, or motion.

The statute of limitations for filing a claim for a refund of electric service charges is one year from the date that the City collected an Electric System service charge that was used to make the revenue transfer payments from the Electric System.

See also "CONSTITUTIONAL LIMITATIONS IN CALIFORNIA AFFECTING FEES AND CHARGES IMPOSED BY THE CITY" for a discussion of requirements imposed on local government taxes pursuant to Proposition 26.

Unrestricted Cash Reserves

On March 22, 2016, the City Council adopted the Riverside Public Utilities Cash Reserve Policy, which provided a defined level on unrestricted, undesignated and designated cash reserves in the Electric System for strategic purposes. On July 24, 2018, the Cash Reserve Policy was updated and approved by City Council reflecting the establishment of an additional designated reserve, the use of the line of credit as available reserves and other minor revisions to bring it current. This policy sets target minimum and maximum levels for the undesignated reserve to mitigate risk in the following categories: operations and maintenance, rate stabilization, capital expenditures, and debt service. The undesignated reserve can be used for any lawful purpose and has not been designated for specific capital and operating purposes. As of June 30, 2018, the balance was at $173,136,000 for the unrestricted undesignated reserve and was within the minimum and maximum guidelines as set forth in the policy. The Electric System is in the process of obtaining a revolving credit facility that will provide additional flexibility and operating liquidity. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2019A BONDS – Subordinate Obligations – Revolving Credit Facility."

Designated reserves are considered unrestricted assets and represent the portion of unrestricted reserves set aside for specific purposes determined by the Board and City Council. Designated reserves may be held for capital or operating purposes. Unrestricted designated cash reserve balances as of June 30, 2018, are as follows:

Additional Decommissioning Liability Reserve	$8,245,000
Customers Deposits	4,562,000
Capital Repair and Replacement Reserve	4,865,000
Electric Reliability Reserve	62,800,000
Mission Square Improvement Reserve	1,244,000
Dark Fiber Reserve	2,303,000
Total	$84,019,000[(1)]

(1) Included as a component of unrestricted cash and cash equivalents in the Statements of Net Position in the Electric System's audited financial statements for the fiscal year ended June 30, 2018.

Joint Powers Agency Obligations

As previously discussed, the City participates in certain contracts with IPA and SCPPA. Obligations of the City under the agreements with IPA and SCPPA constitute Operating and Maintenance Expenses of the City payable prior to any of the payments required to be made on the Bonds and any Parity Debt. Agreements between the City and IPA and the City and SCPPA are on a "take-or-pay" basis, which requires payments to be made whether or not applicable projects are completed or operable, or whether output from such projects is suspended, interrupted or terminated. All of these agreements contain "step-up" provisions obligating the City to pay a share of the obligations of a defaulting participant. Any "step-up" obligation relating to the City's participation in transmission projects that it would be responsible for would be included in the City's TRR (that would require filing a new TRR at the FERC) and would be recovered from all CAISO grid users. The City's participation and share of principal obligation (without giving effect to any "step-up" provisions) for each of the joint powers agency projects in which it participates are shown in the following table. For the fiscal year ended June 30, 2018, the City's obligations for debt service on its joint powers agency obligations aggregated $23.8 million.

Table 11
Outstanding Debt of Joint Powers Agencies
As of September 1, 2018
(Dollars in Thousands)

	Principal Amount of Outstanding Debt	City's Participation[1]	City's Share of Principal Amount of Outstanding Debt
Intermountain Power Agency			
Intermountain Power Project[2]	$ 855,524	7.617%	$ 65,165
Southern California Public Power Authority			
Southern Transmission System	430,305	10.200	43,891
Mead-Phoenix Transmission	10,645	4.000	426
Mead-Adelanto Transmission	35,475	13.500	4,789
Total	$1,331,949		$114,271

(1) Participation obligation is subject to increase upon default of another project participant.
(2) Includes bonds, commercial paper, subordinate notes and line of credit.

Insurance

The Electric System's insurance needs are handled by the Risk Management Section of the City's Finance Department. Liability and Workers' Compensation Internal Service Insurance fund balances are based on a reserve policy that requires the City to maintain 40% of the total combined current claims liability outstanding based on annual actuarial studies, which is completed by an outside firm.

The City, including the Electric System, is insured for Worker's Compensation coverage with a $25 million maximum per occurrence limit, subject to a $3 million per occurrence self-insured retention. The City is insured for general liability with a $10 million per occurrence limit, subject to a $3 million self-insured retention. The City also secures an additional $10 million in excess liability coverage. The City maintains property insurance, providing all risk and equipment breakdown coverage on most City real and personal property holdings with a limit of $1 billion, subject to an all risk deductible of $100,000 and a $250,000 all risk deductible for electric generating facilities. At the time of loss, valuation will be on a repair or replacement cost basis, with actual loss sustained for time element coverage, and actual cash value for all City-owned contractor's equipment.

Seismic Issues

The City is located in a seismically active region of Southern California. Three major active earthquake faults are located within 20 miles of Electric System facilities. In addition, many of the transmission and generation facilities relied upon by the Electric System are located at or near major active earthquake faults. Although the City has not experienced significant earthquake-related damage to its facilities, the Electric System and its power supply could be adversely affected by a major local earthquake. See "RISK FACTORS – Casualty Risk."

The City does not currently maintain earthquake insurance on the Electric System's facilities.

Litigation

CAISO. On May 11, 2004, the CAISO filed Amendment No. 60 to its tariff to modify the CAISO's process for dispatching generation and allocating associated costs. Numerous parties, including the City as a member of the "Southern Cities" group, submitted testimony to the FERC on the allocation of these costs, and a hearing was held in 2005. On October 31, 2005 the Presiding Administrative Law Judge issued an Initial Decision, and on December 27, 2006, the FERC issued an order generally affirming the determinations in the Initial Decision. The FERC order adopted the City's position with respect to "South-of-Lugo" costs, which would have resulted in a large part of these generation dispatch costs being allocated to SCE. On November 20, 2007, the FERC issued its Order on Rehearing, reversing its position on South-of-Lugo costs in a manner that would require the City to share these costs. The City and a number of other parties filed requests for rehearing of the Order on Rehearing. On September 16, 2011, FERC issued an Order Denying Rehearing of the Order on Rehearing. The City (along with other municipal electric systems) filed a timely petition for review with the United States Court of Appeals for the District of Columbia Circuit, Case No. 11-1442. The Court of Appeals denied the petition for review on November 5, 2013.

During June 2014, the CAISO issued an invoice to the City, including the surcharges arising from this case but excluding interest. The City has taken the position that no interest should apply to the surcharges, because the FERC's previous orders in the case did not direct application of interest. On October 20, 2016, the FERC issued an order stating that its previous orders had not directed the CAISO to make refunds or to collect surcharges and that the issue of interest was moot. Several parties have requested rehearing or clarification of the FERC's October 20, 2016, order, and those requests remain pending. It is not possible at this time to quantify any amounts that may be due from the City to the CAISO or from the CAISO to the City.

Olquin. On April 28, 2016, a writ of mandate lawsuit entitled *Richard Olquin v. City of Riverside* was filed against the City asserting that adding certain funds received by the Electric System from the CAISO to the Electric System revenue transfer to the City's General Fund was a violation of Proposition 26. Plaintiff sought a court order compelling the City to return to the Electric System approximately $115 million, which represented all Electric System revenue transfers paid to the City's general fund since May 1, 2013, as well as a permanent injunction prohibiting future Electric System revenue transfers. In April of 2017, the trial court entered judgment in favor of the City, on the grounds that (1) Olquin had failed to allege a rate increase, because the contested transfer did not require the Electric System to raise its rates and (2) even if such a rate increase could be alleged, Olquin's lawsuit was untimely under the statute of limitations in Public Utilities Code Section 10004.5. Mr. Olquin subsequently passed away and Alysia Webb substituted in as plaintiff. In May 2017, Olquin/Webb filed an appeal to that judgment. On May 4, 2018, the appellate court ruled in favor of the City in a published decision, *Alysia Webb v. City of Riverside* (2018) 23 Cal.App.5th 244. No appeal has been filed to that decision, and the time within which to file the appeal has expired.

Parada I. On October 19, 2017, a writ of mandate entitled *Parada v. City of Riverside* (Parada I) was filed against the City seeking to enjoin the City from levying its electric utility users tax on the portion of electric rates that are attributable to the General Fund Transfer. On September 21, 2018, the trial court ruled in favor of the City, and on November 7, 2018, the court entered judgment in favor of the City. On November 27, 2018, plaintiff filed a notice of intent to make a motion to vacate the judgment.

Parada II. On September 12, 2018, a class action petition for writ of mandate entitled Parada v. City of Riverside (Parada II) was filed against the City seeking to invalidate, rescind

and void under Proposition 26 the Electric System's rates, approved by City Council on May 22, 2018, which take effect on January 1, 2019, challenging the portion of the electric rates that are attributable to the General Fund Transfer. See "– Electric Rates and Charges." The City has not yet responded to the complaint, and no trial date has been set.

See "– Transfers to the General Fund of the City." See also "CONSTITUTIONAL LIMITATIONS IN CALIFORNIA AFFECTING FEES AND CHARGES IMPOSED BY THE CITY."

Pending lawsuits and other claims against the City with respect to the Electric System are incidental to the ordinary course of operations of the Electric System and are largely covered by the City's self-insurance program. In the opinion of the Electric System's management and the City Attorney, such lawsuits and claims will not have a materially adverse effect upon the financial position of the Electric System.

Significant Accounting Policies

Governmental accounting systems are organized and operated on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

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

Investments are stated at fair value. Utility plant assets are valued at historic cost or, if actual historical cost is not available, estimated historical cost. Costs include labor; materials; interest during construction; allocated indirect charges such as engineering, supervision, construction and transportation equipment; retirement plan contributions and other fringe benefits; and administrative expenses. Contributed plant assets are valued at their estimated fair market value on the date of contribution. For accounting policies specifically relating to the Electric System, see the notes to the financial statements in Appendix B. See also "FINANCIAL STATEMENTS."

Summary of Operations

The following table prepared by the City shows the Net Operating Revenues of the Electric System and historical debt service coverage for the Prior Parity Bonds for the fiscal years shown, as calculated in accordance with the flow of funds in the Resolution. The information shown is based on the audited financial statements of the City's Electric System for such periods.

Table 12
Summary of Operations and Debt Service Coverage
($000's)

	Fiscal Year Ended June 30,				
	2014	2015	2016	2017	2018
Operating Revenues:					
Residential	$111,880	$114,112	$116,997	$117,662	$115,630
Commercial, Industrial and Other	183,923	186,509	188,252	191,670	191,026
Wholesale Sales	115	60	3	9	2
Transmission Revenues	32,630	30,587	32,924	35,497	37,484
Other	6,912	7,654	7,425	12,899	11,514
Total Operating Revenues Before (Reserve)/Recovery	335,460	338,922	345,601	357,737	355,656
Reserve for Uncollectible, Net of (Reserve)/Recovery	(589)	(1,014)	(763)	(551)	(687)
Total Operating Revenues, Net of (Reserve)/Recovery	334,871	337,908	344,838	357,186	354,969
Interest Income	6,041	3,821	5,143	1,809	2,567
Capital Contributions	2,890	2,139	2,434	2,367	3,170
Non-Operating Revenues	3,738	4,376	18,615	7,594	7,408
Total Revenues[1]	$347,540	$348,244	$371,030	$368,956	$368,114
Operating Expenses:					
Nuclear Production [2]	5,254	3,992	1,208	(45)[2]	720
Production & Purchased Power[6]	133,568	141,317	135,873	132,394	135,703
Transmission Expenses	51,939	53,356	58,145	59,497	62,981
Distribution Expenses	14,160	13,832	15,295	16,053	16,532
Customer Account Expenses	6,103	6,834	5,903	6,888	7,091
Customer Service Expenses	3,168	2,134	2,332	1,847	1,604
Administration & General Expenses	13,540	15,168	15,737	19,210[5]	16,699
Clearing & Miscellaneous Expenses[3]	13,403	13,948	15,115	16,155	16,454
Total Expenses[1][4]	$241,135	$250,581	$249,608	$251,999	$257,784
Net Operating Revenues Available for Debt Service and Depreciation	$106,405	$97,663	$121,422	$116,957	$110,330
Debt Service Requirements on Bonds	$ 49,207	$ 42,017	$ 42,240	$ 39,585	$ 40,720
Debt Service Coverage Ratio[3]	2.16x	2.32x	2.87x	2.95x	2.71x

(1) Excludes restricted revenues generated from the Public Benefits Charge (PBC) and expenses incurred from the related program.

(2) Subsequent to the shutdown of SONGS in June 2013, Nuclear Production reflects non-decommissioning expenses and changes to decommissioning liability, which resulted in a credit balance in fiscal year 2016-17.

(3) Excludes Governmental Accounting Standards Board ("**GASB**") Statement No. 68, Accounting and Financial Reporting for Pension non-cash adjustments of ($2,594), ($5,036), ($248) and $9,056 for fiscal years 2014-15 through 2017-18, respectively. GASB 68 became effective on July 1, 2014.

(4) In accordance with the Resolution, this does not include contributions to City's General Fund of $38,704, $38,178, $38,360, $39,230 and $40,073 for fiscal years 2013-14 through 2017-18, respectively.

(5) Increase from prior year primarily due to the City's refinancing of pension obligation bonds resulting in an additional obligation of $2,593 to the Electric System for its share of the bonds.

(6) Includes fuel expense for City-owned generating facilities. See "– City-Owned Generating Facilities – Fuel Supply/Procurement."

The following Statements of Net Position have been prepared by the City for the five full fiscal years shown. The information shown is based on the audited financial statements of the City's Electric System for such periods.

Table 13
Electric Statements of Net Position ($000)

	Fiscal Year Ended June 30,				
	2014	2015[1]	2016	2017	2018
Assets and Deferred Outflows of Resources					
Utility plant					
Production	$267,152	$267,197	$267,312	$267,312	$267,312
Transmission	42,963	43,956	44,415	44,968	45,007
Distribution	541,381	558,436	584,010	601,306	627,891
General	60,600	69,814	106,746	109,899	110,392
Intangible	325	13,864	18,961	20,951	21,472
	912,421	953,267	1,021,444	1,044,436	1,072,074
Less accumulated depreciation	(291,478)	(318,899)	(344,166)	(375,776)	(408,057)
	620,943	634,368	677,278	668,660	664,017
Land	8,717	8,786	21,439	37,845	52,111
Intangible, non- depreciating	10,651	10,651	10,651	10,651	10,651
Construction in progress	51,105	48,604	45,326	51,636	54,475
Total utility plant	691,416	702,409	754,694	768,792	781,254
Restricted assets[2]	205,166	182,404	135,137	131,001	118,287
Current assets:					
Cash and investments[3]	210,929	227,425	249,247	255,496	257,155
Accounts receivable, net	36,680	34,423	34,397	35,432	32,799
Advances to other funds of the City	914	610	418	183	305
Accrued interest receivable	1,127	885	650	891	1,016
Inventory ……	1,202	1,202	1,097	1,097	1,097
Prepaid expenses	22,827	20,831	22,199	23,382	22,842
Unamortized purchased power	372	496	496	124	218
Total restricted and current assets	479,217	468,276	443,641	447,606	433,719
Other non-current assets:					
Advances to other funds of the City	5,800	5,850	5,113	4,665	4,227
Net pension asset[1]	11,450	0	0	0	0
Unamortized purchased power	3,143	5,047	6,964	8,927	10,913
Regulatory assets[4]	17,451	10,822	4,395	3,056	1,949
Total other non-current assets	37,844	21,719	16,472	16,648	17,089
Deferred outflows of resources:					
Deferred outflows related to pension [1] ……	0	11,541	26,232	38,247	30,596
Changes in derivative values	16,336	18,788	27,713	17,157	10,692
Loss on refunding ……	12,952	11,937	10,790	9,772	8,997
Total deferred outflows of resources…….	29,288	42,266	64,735	65,176	50,285
Total assets and deferred outflows of resources	$1,237,765	$1,234,670	$1,279,542	$1,298,222	1,282,347

(continued on following page)

Net Position, Liabilities and Deferred Inflows of Resources					
Net position[1] [6]:					
Net investment in capital assets	$196,771	$190,271	$201,651	$229,432	$267,230
Restricted for debt service	15,808	18,358	16,289	16,510	16,691
Restricted for regulatory requirements	3,150	7,432	10,802	16,123	16,093
Restricted for public benefit programs	9,732	11,555	13,822	15,094	16,122
Unrestricted[1] [6]	258,514	171,121	203,050	207,042	189,276
Total net position	483,975	398,737	445,614	484,201	505,412
Long-term obligations, less current portion[5]	593,108	576,081	561,728	557,540	529,294
Total net position and long-term obligations	1,077,083	974,818	1,007,342	1,041,741	1,034,706
Non-current liabilities:					
Compensated absences	830	578	764	808	521
Capital leases payable	1,566	1,213	3,905	3,098	2,274
Advance from other funds of the City - pension obligation[5]	11,284	10,719	10,084	0	0
Nuclear decommissioning	75,299	67,573	62,767	56,067	55,120
Net other postemployment benefits liability/ payable[6]	5,749	6,617	7,264	7,905	8,283
Net pension liability[1]	0	71,773	77,907	96,193	108,886
Derivative instruments	22,108	24,298	34,201	22,525	15,228
Total non-current liabilities	116,836	182,771	196,892	186,596	190,312
Current liabilities payable from restricted assets:					
Accounts payable and other accruals	1,869	9,020	0	0	0
Accrued interest payable	5,770	5,623	5,405	5,215	4,846
Nuclear decommissioning	0	5,714	6,126	8,607	5,457
Public benefit programs payable	154	394	1,847	233	235
Current portion of long-term obligations[5]	14,920	15,825	13,320	15,689	16,463
Total current liabilities payable from restricted assets	22,713	36,576	26,698	29,744	27,001
Current liabilities:					
Accounts payable and other accrual	17,289	14,842	19,041	16,409	17,178
Unearned revenue	0	468	325	51	61
Customer deposits	3,844	4,512	5,040	5,996	6,397
Total current liabilities	21,133	19,822	24,406	22,456	23,636
Deferred inflows of resources:					
Deferred inflows related to pension[1]	0	20,683	24,204	17,685	6,396
Deferred inflows related to other postemployment benefits[6]	0	0	0	0	296
Total deferred inflows of resources	0	20,683	24,204	17,685	6,692
Total net position, liabilities and deferred inflows of resources[1]	$1,237,765	$1,234,670	$1,279,542	$1,298,222	$1,282,347

(1) In fiscal year 2014-15, the City implemented new financial accounting standards which resulted in the recognition of the net pension liability, related deferred outflows and inflows of resources and the elimination of the net pension asset as of July 1, 2014. Fiscal year 2014-15 financial statements have been changed to reflect the new reporting requirements, including the restatement of net position as of July 1, 2014. A restatement of fiscal year 2013-14 financial statements was not made due to the information necessary for the restatement not being readily available.

(2) Includes current and non-current restricted assets for historical comparison purposes.

(3) See discussion under "– Unrestricted Cash Reserves" above.

(4) The City elected to record debt issuance costs and replacement power costs as regulatory assets, which allows for deferring these expenses to be reflected in future rates. In fiscal years 2014-15 and 2015-16, $6.1 million and $7.2 million of regulatory assets, respectively, related to replacement power were expensed because fiscal years 2014-15 and 2015-16 rate revenues were adequate to cover cost associated with the shutdown of SONGS, therefore not requiring the inclusion of such costs in subsequent rate plans.

(5) In fiscal year 2017-18, Advances from other funds of the City-pension obligation were reclassified as long-term obligations with a portion reflected as current portion of long-term obligations. Fiscal year 2016-17 financials were reclassified for comparative purposes.

(6) In fiscal year 2017-18, the City implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which established new accounting and financial reporting requirements for OPEB plans. Fiscal year 2017-18 financial statements reflects a restatement of net position as of July 1, 2017, the elimination of net OPEB payable, the establishment of net OPEB liability and the establishment of deferred inflows related to OPEB. There are no restatements of prior years' financial statements because the actuarial information necessary for the restatements was not readily available.

Electric System Strategic Plan

Strategic Plan. The Board and City Council have had a formal strategic plan in place with respect to the Electric System since 2001, including the adoption of the following mission statement: "The City of Riverside Public Utilities Department is committed to the highest quality water and electric services at the lowest possible rates to benefit the community."

Through strategic planning process and workshops, long-term goals and objectives have been established by the Board to provide the framework to implement the Riverside Public Utilities Department's Mission Statement. The current Ten-Year Goals adopted by the Board are (not in priority order):

- Employ state-of-the-art technology to maximize reliability and customer service
- Foster economic development and job growth in the City
- Communicate effectively the accomplishments, challenges and opportunities for the full utilization of electric and water resources
- Develop fully low-cost, sustainable, reliable electric and water resources
- Enhance the effective and efficient operation of all areas of the utility

Three-Year Goals and Strategic Plan Objectives are also established to ensure the achievement of these long-term goals, and these are (not in priority order):

- Contribute to the City's economic development while preserving Riverside Public Utilities' financial strength
- Maximize the use of technology to improve utility operations
- Impact positively legislation and regulations at all levels of government
- Develop and implement electric and water resource plans
- Create and implement a workforce development plan

During 2015, management engaged the community, Board and City Council through a series of meetings and workshops to create a Utility 2.0 Strategic Plan that provides the vision, changes and actions required to thrive as a Utility of the future. The Utility 2.0 Strategic Plan was designed to facilitate and advance the strategic goals adopted by the City Council in the Riverside 2.0 Strategic Plan as well as the strategic goals of the Board. Areas of focus for Utility 2.0 include infrastructure improvement, workforce development, utilizing advanced technology and thriving financially which have been developed through a number of roadmaps. In October 2015, conceptual approval was given by the Board and City Council to implement the Utility 2.0 Strategic Plan.

The Thriving Financially Roadmap reviewed the areas of rates, reserves, debt and other related policies to ensure the financial balance of the Department. Rates, cash reserves, debt and other revenue sources were evaluated together with the development of a 10-year pro-forma (financial plan). Several dependent projects were completed during the development of

the 10-year pro-forma and rate plan. These projects include the update and approval of the reserve policy, development and approval of an overall fiscal policy, and development and approval of electric and water cost of service studies.

An overall fiscal policy, including a comprehensive section on cash reserves, was completed and adopted by the City Council in July 2016 and subsequently updated and approved by City Council in July 2018. The electric and water 10-year pro-forma, cost of service and rate design studies were completed and presented to the City Council in September 2017. The Department recommended a redesign of its rates over a five-year period to better align with its cost of serving customers and its revenue requirement. The electric rate restructuring is designed to provide financial stability to support the Electric System's efforts to sustainably improve infrastructure reliability, meet renewable energy and energy efficiency goals, follow legal and regulatory requirements and correct the imbalance of costs versus revenue recovery. Rates have been designed to provide a transition to reflect the nature of underlying costs while encouraging the expansion of customer solar and other distributed generation. As discussed under the heading "– Electric Rates and Charges" above, on May 22, 2018, the City Council approved a five-year electric rate plan, with rate increases effective starting January 1, 2019, 2020, 2021, 2022 and 2023 with annual review of adopted rates by the City Council.

***Operating Initiatives and Reserves*.** The City's retail revenues from fiscal year June 30, 2014 to June 30, 2018 increased 3.7% as a result of increased customer consumption. Retail revenues are generally increasing year over year due to an increase in retail load, an expanded customer base, and an improving economy. Operating and Maintenance Expenses (excluding depreciation and public benefit programs) from fiscal year June 30, 2014 to June 30, 2018 increased 10.7% due to higher power costs, transmission charges and other miscellaneous operating costs. Positive operating results over time have contributed to improving the City's reserve requirements and the overall goal to continue to be fiscally sound. See "– Unrestricted Cash Reserves."

Sustainability Initiatives. Recent efforts for sustainability began in 2001 when the City began using light-emitting diodes in all City traffic signals. Today, the City remains committed to environmental issues and serves as a state leader in sustainability.

The City's first sustainability policy statement was adopted in 2007 and ultimately led to the adoption of three Green Action Plans, the most recent in 2012. In 2009, the City also adopted sustainability policies associated with economic development as part of the "Seizing Our Destiny" citywide vision, incorporating a "Becoming a Green Machine" strategic route with specific initiatives. Additional adopted policies can be found in the City's General Plan 2025 (2007), the Environmentally Preferable Purchasing Policy (2009), the Food and Agriculture Policy Action Plan (2015) and the Riverside Restorative Growthprint (2016).

In 2012, the City hosted the first of three community-wide Green Riverside Leadership Summits. Subsequent summits were held in 2014 and 2016, the former in partnership with the University of California Riverside and the latter as part of the community-led Riverside Green Festival and Summit.

In 2015, the City earned a 3-STAR Community Rating designation from Sustainability Tools for Assessing and Rating ("**STAR**") Communities, an organization that works to evaluate, improve and certify sustainable communities. The City is now developing a submission package to earn a 4-STAR Community Rating.

The City has received numerous recognitions for its sustainability programs and initiatives. In 2009, the California Department of Conservation named Riverside its first "Emerald City" in recognition for its sustainable green initiatives and commitment to help the state achieve multiple state environmental priorities. The City was honored in 2016 with the Green Community Award from Audubon International, recognizing Riverside for its ongoing sustainability initiatives. In addition, the City received the 2016 Sustainable Communities Award from the Green California Leadership Summit for its ongoing community-wide sustainability projects and programs that create environmental awareness and action throughout the community, including business, government and private citizens. The Green California Leadership Summit again recognized the City in 2018 with its Leadership Award for the City Green Fleet Program.

The City initiated an ambitious light-emitting diode (also known as LED) streetlight replacement program in 2016. The program will eventually replace all city-owned streetlights by 2019, resulting in approximately 10 million kWh saved annually along with substantially reduced maintenance costs. The Electric System's grant program continues to provide assistance to local universities by providing funding for important research projects that explore new ways to advance energy technology and water conservation techniques.

Economic Development. In 2017, the Electric System had load growth and new revenue associated with three large economic development projects in the City. These projects included Riverside Community Hospital's $360 million expansion for a seven story, 250,000 square foot patient tower with 120 new beds. Other projects included Sigma Plastics expansion with the addition of a new stretch film production line and a new customer to the Electric System, Garden Highway Foods with their new fresh fruit and vegetable processing facility. Combined these businesses resulted in over 6 MW of new electric load and new revenue of $3.1 million annually.

In 2017, the City also received the "Outstanding Award" for Climate Change from the Association of Environmental Professionals for the Riverside Restorative Growthprint ("**RRG**") Plan, a comprehensive plan with two major parts: the Economic Prosperity Action Plan and the Climate Action Plan. The Electric System played a key role in the City's effort to create and adopt RRG, which helps the City identify greenhouse gas ("**GHG**") reduction measures and strategies with the greatest potential to drive local economic development through clean-tech investment and the expansion of local green businesses. Ultimately, this effort spurs entrepreneurship and smart growth while advancing the City's GHG reduction goals.

The Electric System supports the local economy by offering competitive rates combined with attractive economic development electric discount rates to qualified new and expanded load customers. These rate programs have helped create and retain over 3,600 jobs in the City since 2010. The City's Green Business Program recognizes local businesses for pursing sustainability in their facilities and operations. Businesses are evaluated based on their efforts to reduce pollution and waste and to improve resource use efficiency. Once certified through the program, the businesses are recognized locally and statewide through the California Green Business Network, a network of over 3,600 other businesses in the State of California that have already committed to pursuing greener practices. Currently, the City has certified UTC Aerospace, OSI Industries and the Riverside Convention Center with this designation.

Beyond rate incentives, the Electric System also offers local businesses a comprehensive assortment of water and energy efficiency programs to improve building efficiency and reduce customer electric consumption. These programs include the Small

Business Direct Installation Program, which has helped over 6,000 participants save over $2.0 million in utility costs and conserve over 13 million kWh.

***Power Resource Portfolio Management*.** The City manages long-term fuel and power supply risk, renewable resource procurement and compliance with potential state and federal greenhouse gas legislation in an integrated fashion. The 2018 Integrated Resource Plan ("**IRP**") defines the City's risk based, long-term plan for providing stable and predictable rates for customers through the procurement of new energy supply sources at reasonable prices. The City updated its IRP in 2018, and the Board and City Council adopted and approved the plan on November 26, 2018 and December 11, 2018, respectively. The 2018 IRP provides an impact analysis of the City's acquisition of new power resources, specifically towards meeting the State of California's aggressive carbon reduction goals, and the effect these resources will have on the Department's future projected cost of service in the 2018-2037 timeframe. Both resource portfolio and energy market issues are examined in the IRP, including (a) projected capacity and resource adequacy needs, (b) renewable portfolio standard mandates, (c) carbon emission goals and mandates, (d) power resource budgetary objectives and cash-flow risk metrics, (e) cost effectiveness of Energy Efficiency and Demand Side Management programs with respect to both the City and customers, (f) impacts of various emerging technologies on carbon reduction goals and future cost of service metrics, and (g) minimizing localized air pollutants and greenhouse gas emissions in disadvantaged communities within the City.

The IRP provides for a future resource portfolio with a higher reliance on renewable resources, especially geothermal resources, utility-scale solar photovoltaic ("**PV**") and wind resources, City-owned, lower-carbon emitting natural gas generation and an increased emphasis on energy efficiency and demand-side management programs. The City currently owns 265.5 MW of natural gas fired generation; this generation allows the City to meet its local capacity requirement imposed by the CAISO while minimizing environmental impacts and cost exposures. This natural gas generation is comprised of the 29.5 MW Clearwater power plant, four 49 MW LM-6000 peaking power plants at RERC, and four 10 MW super-peaking power plants at Springs Generating Project. Since late 2012, the City has contracted for a diverse portfolio of renewable resources totaling 231 MW under medium and long term power purchase agreements and power sales agreements. This portfolio of renewable resources consists of 86 MW of geothermal resources (see "– Renewable Resources – Salton Sea"), 45.0 MW of wind resources, 97.4 MW of solar PV resources, and 0.8 MW of biomass resources. This portfolio of renewable resources has resulted in the City's expectation that it will significantly exceed the Renewable Portfolio Standard ("**RPS**") mandate of 33% of the retail electricity energy needs by 2020. See "DEVELOPMENTS IN THE ENERGY MARKETS – Senate Bill X1-2 – California Renewable Energy Resource Act." The City served 36% of its retail energy needs with renewable energy in calendar year 2017 (the most recent calendar year for which such information is available). The City has also received approximately 761,000 MWh of Historic Carryover RPS credits from the California Energy Commission ("**CEC**"); these credits can be used along with the energy from the above mentioned renewable resources to meet its post-2020 RPS mandates at least through 2028. The City is still actively examining potential replacement options for its IPP contract, but anticipates that additional natural gas generation may be used to replace at least some of the retiring IPP capacity. With the reconstituted power resource portfolio, the City is likely to have a slightly higher reliance on natural gas in the future and will manage such increased price and supply risk over a one to five-year horizon with hedging contracts using various energy suppliers who have at least an investment grade credit rating.

DEVELOPMENTS IN THE ENERGY MARKETS

The following factors affecting the Electric System and the electric utility industry should be considered when evaluating the Electric System and considering an investment in the 2019A Bonds. The City cannot predict what impact these risks and other factors will have on the business operations and financial condition of the Electric System, but the effects could be significant. The following is a brief discussion of these factors. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date of this Official Statement. See "THE ELECTRIC SYSTEM" and "APPENDIX B – Audited Financial Statements of the City of Riverside Electric Utility for the Fiscal Year Ended June 30, 2018" for additional information relating to the Electric System.

State Legislation

Set forth below is a brief discussion of certain State legislation affecting the electric industry and the Electric System.

Senate Bill X1-2 – California Renewable Energy Resource Act. Enacted in 2011, Senate Bill X1-2 ("**SBX1-2**") requires utilities, including publicly-owned utilities ("**POUs**"), to achieve a 33% RPS by 2020, with interim targets of an average of 20% for the period 2011 to 2013, 25% by 2016, and 33% by 2020 and subsequent years. Additionally, SBX1-2 requires POUs to adopt and implement a Renewable Energy Resource Procurement Plan ("**Plan**"). The Plan must require the utility to procure a minimum quantity of electricity products from eligible renewable energy resources.

Oversight of compliance with SBX1-2 by POUs is provided in part by their respective local governing bodies and in part by the CEC. Oversight of compliance by investor-owned utilities ("**IOUs**") is provided by the CPUC.

The City completed a Plan in 2013 and received approval from City Council to implement the Plan. In late 2018, the Board and City Council approved updates to the City's Plan that reflected changes from Senate Bill 350 ("**SB 350**"; see "– Senate Bill 350 – Clean Energy and Pollution Reduction Act of 2015") and CEC's POU Enforcement Procedures. The Plan outlines a diverse portfolio of specific geothermal, wind, utility-scale solar photovoltaic, distributed solar photovoltaic, and small hydro resources. The City met the 20% target for the period of 2011-13 and has also met its minimum three-year RPS procurement goal for 2014-16. The City has substantially completed the procurement of eligible renewable resources to meet the stated targets through 2020. Renewable resources made up 36% of the retail sales requirements in calendar year 2017 (the most recent calendar year for which such information is available).

Additional bills were signed into law that advanced the renewable standards to even higher levels than required by SBX1-2. See "– Senate Bill 350 – Clean Energy and Pollution Reduction Act of 2015" and "– Senate Bill 100 – The 100 Percent Clean Energy Act of 2018."

Senate Bill 350 – Clean Energy and Pollution Reduction Act of 2015. SB 350, enacted in 2015, consists of a multitude of requirements to meet the Clean Energy and Pollution Reduction Act of 2015. The primary components that affect the City are (i) the increased mandate of the California RPS to 50% by December 31, 2030, (ii) doubling of energy efficiency savings by January 1, 2030, and (iii) the transformation of the CAISO into a regional organization. In addition, there is a specific IRP mandate embedded in the bill that applies to 16

POUs that have a 3-year average annual demand over 700 GWh, which includes the City. Under SB 350, POUs must have its governing board adopt an IRP on or before January 1, 2019, and update the plan at least once every five years.

On August 9, 2017, the CEC adopted the POU IRP Submission and Review Guidelines reflecting the requirements of SB 350. The Board and City Council adopted and approved an updated IRP on November 26, 2018, and December 11, 2018, respectively. The updated IRP addresses specific topics such as energy efficiency and demand response resources, transportation electrification, GHG emissions, energy storage resources, enhanced distribution systems and demand-side management, etc. The IRP will be submitted to the CEC for review, and the CEC will check if the statutory requirements have been met.

On September 30, 2017, the Governor signed Senate Bill 338 ("**SB 338**"), which requires that the governing board of local POUs consider as part of the IRP process the role of existing renewable generation, grid operational efficiencies, energy storage, energy efficiency, and distributed energy resources in meeting the energy and reliability needs of each utility during the hours of peak demand. On August 1, 2018, the CEC adopted a Second Edition of the POU IRP Submission and Review Guidelines to include the requirements of SB 338. On October 3, 2018, the CEC adopted an amendment to the second edition guidelines to include CARB's GHG emission reduction planning targets for IRPs. The CEC continues to host various workshops on different components of the SB 350 requirement, and the City has been monitoring its outcome.

Senate Bill 100 – The 100 Percent Clean Energy Act of 2018. Senate Bill 100 ("**SB 100**"), signed into law on September 10, 2018, increases the RPS goals of SBX1-2 and one of the primary components of SB 350 by modifying the RPS percentage targets of certain compliance periods. It does not replace SB 350. The measure maintains the 33% RPS target by December 31, 2020, while the compliance periods following it changed to 44% by December 31, 2024, 52% by December 31, 2027, and 60% by December 31, 2030. SB 100 is also known as The 100 Percent Clean Energy Act of 2018 because the bill creates the policy of planning to meet all of the state's retail electricity supply with a mix of RPS-eligible and zero-carbon resources by December 31, 2045, for a total of 100 percent clean energy.

The CEC is required to establish appropriate multiyear compliance periods for all subsequent years after 2030 that will require POUs to procure not less than 60% of retail sales from renewable resources. It is expected that workshops, rulemakings, and updated regulations will be implemented soon by the CEC to incorporate the SB 100 mandate in its RPS Eligibility Guidebook and RPS Enforcement Procedures for POUs. In addition, POUs will need to include the increased requirements in their future IRP. The City and the Electric System will continue to monitor the outcome and impacts of any upcoming workshops and regulations in meeting the new requirements.

Assembly Bill 32 – Global Warming Solutions Act of 2006. Assembly Bill 32 ("**AB 32**"), enacted in 2006, requires that utilities in California reduce their GHG emissions to 1990 levels by the year 2020. On September 8, 2016, the Governor of California approved Senate Bill 32 ("**SB 32**"), which requires the state board to ensure that statewide greenhouse gas emissions are reduced to 40% below the 1990 level by 2030.

AB 32 tasked the California Air Resources Board ("**CARB**") to develop regulations for GHG that became effective January 1, 2012. Emission compliance obligations under the cap-and-trade regulation began on January 1, 2013. The Cap-and-Trade Program ("**Program**") was implemented in phases with the first phase starting from January 1, 2013 to December 31,

2014. This phase placed an emission cap on electricity generators, importers and large industrial sources emitting more than 25,000 metric tons of carbon dioxide-equivalent greenhouse gases per year. In 2015, the program expanded to cover emissions from transportation fuels, natural gas, propane, and other fossil fuels. Since the enactment of AB 32, the City has actively participated with major IOUs and other POUs to effect the final rules and regulations with respect to AB 32 implementation.

The Program requires electric utilities to have GHG allowances on an annual basis to offset GHG emissions associated with generating electricity. CARB will provide a free allocation of GHG allowances to each electric utility to mitigate retail rate impacts. Thereafter, the utilities are likely to be required to purchase allowances through the auction or on the secondary market to offset its associated GHG emissions. Each allowance can be used for compliance purposes in the current year or carried over for use in future year compliance. The City's free allocation of GHG allowances is expected to be sufficient to meet the City's direct GHG compliance obligations.

Any allowance not used for current year compliance or carried over for future use in compliance must be sold into the quarterly allowance auctions administered by CARB. Proceeds from the auctions must be used for the intended purposes specified in AB 32 that include but are not limited to procurement of renewable resources, energy efficiency and conservation programs and measures that provide clear GHG reduction benefits. The City is segregating the proceeds from the sales of allowances in the auctions as a restricted asset.

Assembly Bill 398 – GHG Cap-and-Trade Program Extension. Assembly Bill 398 ("**AB 398**") was signed on July 25, 2017, and approved extending the GHG cap-and-trade program to December 31, 2030, which was originally implemented under AB 32. This bill was also a companion bill to Assembly Bill 617 ("**AB 617**"; see "– Assembly Bill 617 – Air-Quality Monitoring"). In addition, AB 398 required the CARB to update their scoping plan no later than January 1, 2018 and that all GHG rules and regulations that are adopted are consistent with this plan. On July 27, 2017, the ARB approved the 2016 Cap-and-Trade Amendments, which includes the Electric System's 2021-2030 allowance allocations it will receive each year. The Electric System's allowance allocations are expected to be more than sufficient to cover all of the City's 2021-2030 direct compliance obligations.

Initially, it was unclear under AB 398 whether the Electric System would be required to consign 100% of its allowances to the market and then purchase allowances to fulfill its compliance obligations. POUs receive a sufficient amount of allowances each year to cover their compliance. Since the start of the Cap and Trade program in 2012, POUs have been able to use those received allowances for compliance. However, in 2017, the CARB announced they were reconsidering that provision. In early 2018, after much discussion and collaboration with the CARB, it was agreed upon that the POUs would not be forced to consign all their allocated allowances and the structure would remain the same as it has functioned and currently functions. Other components of the law that require clarification are the banking provisions and the specific GHG revenue spending requirement for revenues generated from the sale of excess allowances. CARB will be hosting more workshops and issuing the next iteration of regulation changes in 2019. The Electric System will continue to monitor the outcome and impacts of the upcoming regulations on its service territory and ratepayers.

Assembly Bill 617 – Air Quality Monitoring. AB 617 was signed on July 26, 2017, and was part of a legislative bill package with AB 398, which authorized the extension of the Cap and Trade Program in the State (see "– Assembly Bill 398 – GHG Cap-and-Trade Program

Extension"). AB 617 addresses the disproportionate impacts of air pollution in environmental justice communities. Both the CARB and local air districts are required to take specific actions to reduce air pollution and toxic air contaminants from commercial and industrial sources, including from electricity-generating facilities. The bill required the CARB, by October 1, 2018, to prepare a statewide monitoring plan regarding technologies and reasons for monitoring air quality and, based on that plan, identify the highest priority locations for the deployment of community level air monitoring systems. Local air districts are required to deploy the air monitoring systems in the specified communities by July 1, 2019. Additional locations for the deployment of the systems will be identified annually by the CARB beginning January 1, 2020. CARB is also required to provide grants to community-based organizations for technical assistance and to support community participation in the programs. In turn, this effort would require the local air district of the selected community to adopt a community emissions reduction program.

Additionally, AB 617 requires the CARB to develop uniform reporting standards for criteria air pollutants and toxic air contaminants for specific uses, including electricity-generating facilities. Air districts are to adopt an expedited schedule for implementing best available retrofit control technologies for the uses, while the CARB will identify these technologies.

This bill affects the City and the Electric System by imposing additional reporting requirements and potentially adding or improving air monitoring systems in selected communities located within the City. For the City, the local air district is the Southern California Air Quality Management District ("**SCAQMD**"). The CARB and SCAQMD have held and continue to hold community meetings to implement the required elements of AB 617. Preliminary discussions and proposals have already been conveyed by community members from the City as well as from the University of California's Riverside campus ("**UC Riverside**") proposing areas for community air monitoring and planning. The City and Electric System is monitoring the progress of the community meetings and the two proposed areas for any impacts.

Senate Bill 1 – California Solar Initiative. Senate Bill 1 ("**SB 1**"), enacted in 2006, requires municipal utilities to establish a program supporting the stated goal of the legislation to install 3,000 MW of PV resources in California. Municipal utilities are also required to establish eligibility criteria in collaboration with the CEC for funding solar energy systems receiving ratepayer funded incentives and meet reporting requirements regarding the installed capacity, number of installed systems, number of applicants, and awarded incentives. The SB 1 program officially sunset in December 2016 and closed in the Electric System's service territory in December 2017. As of program close, the Electric System customers have installed approximately 14.17 MW of solar PV capacity in conjunction with the SB 1 program. As of September 30, 2018, the Electric System customers have installed approximately 25.87 MW of solar PV capacity throughout the City, either independently or in conjunction with the SB 1 program.

Senate Bill 1368 – Emission Performance Standard. The state legislature passed Senate Bill 1368 ("**SB 1368**") in 2006 which mandates that electric utilities are prohibited from making long-term financial commitments (commitments greater than five years in duration) for generating resources with capacity factors greater than 60 percent that exceed a GHG emission factor of 1,100 lbs./MWh. SB 1368 essentially prohibits any long-term investments in generating resources based on coal. Thus, SB 1368 initially disproportionally impacted Southern California POU's as these utilities had heavily invested in coal technology, but the changing landscape of legislation and regulations that are constantly increasing renewable

goals and continually decreasing GHG emissions via bills such as SBX1-2, SB350, SB100, and SB 32 have led to a gradual decrease in the generation of existing coal resources to serve load.

The City has ownership entitlement rights to 136 MW of IPP. IPP has a GHG emission factor of approximately 2,000 lbs./MWh. Therefore, under SB 1368, the City is precluded from renewing the IPP Power Purchase Contract at the end of its term in June 2027. See "*IPP Generating Station."*

Going forward, SB 1368-related issues are expected to have minimal impact to the CAISO markets as the percentage of California load served by coal resources is small; however, to the extent that significant numbers of coal plants throughout the western United States start to retire in the next 5 to 15 years, it is possible that there can be a tightening of supply throughout the western United States electricity market. In turn, this can lead to higher regional costs and potentially reduced system reliability.

Assembly Bill 2514 - Energy Storage. Assembly Bill 2514 ("**AB 2514**") was signed into law on September 29, 2010. In 2012, Assembly Bill 2227 amended the reporting timeline of the energy storage targets referenced in AB 2514. The law directs the governing boards of POUs to consider setting targets for energy storage procurement but emphasizes that any such targets must be consistent with technological viability and cost effectiveness. The law's main directives for POUs and their respective deadlines are as follows: (a) to open a proceeding by March 1, 2012 to determine appropriate targets, if any, for the utility to procure viable and cost-effective energy storage systems, and (b) to adopt an energy storage system procurement target by October 1, 2014, if determined to be appropriate, to be achieved by the utility by December 31, 2016, and a second target to be achieved by December 31, 2020. POU's were required to submit compliance reports to the CEC of their first adopted target by January 1, 2017. The second adopted target compliance report is due to the CEC by January 1, 2021.

Energy storage ("**ES**") has been advocated as an effective means for addressing the growing operational problems of integrating intermittent renewable resources, as well as contributing to other applications on and off the grid. In general, ES is a set of technologies capable of storing previously generated electric energy and releasing that energy at a later time. Currently, the commercially available ES technologies (or soon to be available technologies) consist of pumped hydro generation, compressed air systems, batteries, and thermal ES systems.

On February 17, 2012, as per the statute, the Board opened a proceeding to investigate the various ES technologies available and determine if the City should adopt energy storage procurement targets. The City finished its investigation of energy storage pricing and benefits in September 2014 and adopted a zero megawatts target based on the conclusion that the viable applications of ES technologies and solutions at the time were not cost effective and outweighed the benefits that it might provide to the Electric System. The City must reevaluate its assessment not less than once every three years or by October 1, 2017, and report to the CEC any modifications to its initial target resulting from this reevaluation.

On September 26, 2017, after reevaluating its assessment of the first adopted energy storage procurement target of zero megawatts, the City approved and adopted the second energy storage procurement target of six megawatts to be achieved by end of the year 2020 to the CEC.

On December 12, 2016, the City submitted its first compliance report to the CEC describing the City's proactive efforts in investigating viable energy storage options in the market and conducting energy storage pilot projects within the City to fulfill its first adopted target.

On March 3, 2015, City Council approved the Ice Bear Pilot program for 5 MW. The program is intended to reduce load during peak hours, improve energy efficiency, and demonstrate the City's proactive support of the State's energy storage goals. The Pilot program is approaching the end of its fourth year of implementation as of end of 2018. The program is on track to deploy 5MW thermal energy storage by end of 2019. On July 28, 2015, the City Council approved a 20-year power purchase agreement for the City to procure renewable energy from the Antelope DSR Solar Photovoltaic Project that includes a built-in energy storage option for the buyers to exercise during the first 15 years of operation. See "– Renewable Resources – sPower – Summer Solar, Antelope Big Sky Ranch and DSR 1 Solar."

Senate Bill 380 – Moratorium on Natural Gas Storage – Aliso Canyon. On October 23, 2015, a significant gas leak was discovered at the Aliso Canyon natural gas storage facility, which makes up 63% of total storage capacity of Southern California Gas Company ("**SoCalGas**") and serves 17 gas fired power generation units. On May 10, 2016, the Governor of California signed Senate Bill 380 placing a moratorium on Aliso Canyon's natural gas storage usage until rigorous tests were performed and completed by the Division of Oil, Gas, and Geothermal Resources ("**DOGGR**") as to which wells could continue to be in operation. This moratorium caused great concern regarding reliability in the upcoming summer and winter months. An action plan study area was initiated to review the summer and winter assessment that was conducted as a joint effort between the CPUC, CEC, CAISO, and LADWP. Although the area of study does not include nor immediately impact the City, it is highly plausible that the Electric System could still experience curtailed gas deliveries under certain adverse low-flow gas scenarios.

Beginning June 1, 2016, SoCalGas implemented new Operational Flow Order ("**OFO**") tariffs due to limitations surrounding Aliso Canyon storage injections and withdrawals. These tariff changes were put in place to reduce the probability of natural gas curtailments, which would disproportionally impact the City due to the requirements to operate internal natural gas generation to maintain system reliability during the summer. Also, gas curtailments during high peak days could lead to severe service curtailments throughout the City. Therefore, the Electric System immediately increased internal communication across divisions, created internal gas curtailment procedures to address this specific issue, and created revised dispatch procedures when load forecasts exceed 400 MW. These tighter OFO tariff restrictions were scheduled to conclude upon the earlier of the return of Aliso Canyon to at least 450 million cubic feet per day ("**MMcfd**") of injection capacity and 1,395 MMcfd of withdrawal capacity, or March 31, 2017. Aliso Canyon has not been able to meet its injection and withdrawal targets, and therefore, these tighter OFO tariff restrictions will continue to remain in effect. In addition, the Electric System continues to communicate daily with the CAISO and SoCalGas on any changes that could impact the Electric System's service territory.

On July 19, 2017, DOGGR issued a press release on their determination, in concurrence with the CPUC, that Aliso Canyon is safe to resume injections up to 28% of the facility's maximum capacity. On that same day, the CEC issued a different press release with a recommendation urging closure of Aliso Canyon in the long-term. On July 31, 2017, SoCalGas resumed injections. Withdrawals from Aliso Canyon can be made during emergency conditions to avoid electric load shed and/or gas curtailments to customers.

The Electric System fulfilled its system reliability without any issues during multiple heat waves in both 2016 and 2017. Going forward, the Electric System will continue to monitor workshops and new legislation and regulations that impact the status of Aliso Canyon and its effect on the reliability of the Electric System's territory. Senate Bill 380 added Section 715 to the Public Utilities Code, which requires the CPUC to determine the range of Aliso Canyon inventory necessary to ensure safety, reliability, and just and reasonable rates. In the most recent Section 715 Report, the Energy Division of the CPUC recommended that the maximum allowable Aliso Canyon inventory be increased from 24.6 to 34 billion cubic feet for summer 2018 due to continuing pipeline outages on the SoCalGas system. As of October 19, 2018, the results of the 114 injection well tests are as follows: 62 wells have completed all required tests and of those 60 wells have received final DOGGR approval; 18 wells are currently in the second phase of inspections; 32 wells are in the process of abandonment; and 4 wells have been plugged and abandoned.

Assembly Bill 802 – Building Energy Use Benchmarking and Public Disclosure Program. On October 8, 2015, Assembly Bill 802 was signed into law creating a new statewide building energy use benchmarking and public disclosure program for the State of California. The bill requires California utilities to maintain records of energy usage data for all buildings (i.e., commercial and multifamily buildings over 50,000 square feet gross floor area) for at least the most recent 12 months. Beginning January 1, 2017, utilities are required to deliver or provide aggregated energy usage data for a covered building, as defined, to the owner, owner's agent or operator upon written request. The Electric System provides consumption data for buildings meeting the legislative requirement upon owners' written request.

Assembly Bill 1110 - Greenhouse Gas Emissions Intensity Reporting. On September 26, 2016, Assembly Bill 1110 ("**AB 1110**") was signed into law requiring GHG emissions intensity data and unbundled renewable energy credits to be included as part of the retail suppliers' power source disclosure reports and power content label ("**PCL**") to their customers. GHG emissions intensity factors will need to be provided for all the retail electricity products. The inclusion of this new information requirement on the PCL will begin in 2020 for calendar year 2019 data. In addition to still being required to post the PCL on the city website, the bill also reinstated the requirement that the PCL disclosures must be mailed to the customers starting in 2017 for calendar year 2016 data unless customers have opted for electronic notifications. In accordance with this requirement, the City reinstated the inclusion of printed disclosures of the PCL beginning with its September 2017 bills to the customers.

In 2017, the CEC began hosting workshops on the GHG emissions disclosure requirements and initiated the rulemaking process of updating its power source disclosure regulations. A pre-rulemaking phase also began that included an implementation proposal on AB 1110. The legislation required the CEC to adopt guidelines by January 1, 2018, but is still in the pre-rulemaking phase. Once the CEC officially begins the rulemaking process, it must finalize and adopt the updated regulations for it to be effective in 2020. The City continues to monitor the workshops and draft regulations for any impacts to the utility's reporting and resources in meeting this requirement.

Senate Bill 859 – "Budget Trailer Bill" – Biomass Mandate. In the final two days of the 2015-2016 legislative session, a "budget trailer bill" on how to spend cap-and-trade funds was amended to include a biomass procurement mandate for local POUs serving more than 100,000 customers. These utilities would be required to procure their pro-rata share of the statewide obligation of 125 MW based on the ratio of the utility's peak demand to the total

statewide peak demand from existing in-state bioenergy projects for at least a five-year term. On September 14, 2016, the Governor of California signed Senate Bill 859 into law.

The Electric System is still waiting upon direction from the CEC on the actual MW obligation shares and the target date on when the contracts must be procured. It is expected that these facilities will be counted towards the City's RPS goals, and preliminary analysis indicates that the City's MW share should be minimal. On October 13, 2016, the CPUC adopted Resolution E-4805, which established that the POUs would be allocated 29 MW of the 125 MW statewide mandate. The City determined that its obligated share would be 1.3 MW to meet the mandate, although the pending CEC direction could change this.

In 2017, the affected POUs consisting of the cities of Anaheim and Los Angeles, the City, Imperial Irrigation District, Modesto Irrigation District, Sacramento Municipal Utility District, and Turlock Irrigation District decided it would be beneficial to procure a contract together for economies of scale. This was accomplished by utilizing SCPPA to issue a Request for Proposal on behalf of all the affected POUs, since four of the seven POUs affected are existing SCPPA members.

In January 2018, the Board and City Council approved the City's five-year Power Sales Agreement with SCPPA for 0.8 MW from the ARP – Loyalton Biomass Project. See "– Renewable Resources – American Renewable Power – Loyalton." On April 20, 2018, the facility declared commercial operation. The remaining MW procurement requirement is currently undergoing negotiations with another entity.

Legislation Relating to Wildfires. Senate Bill 1028 ("**SB 1028**"), signed into law by Governor Brown on September 24, 2016, requires each POU, including the City, each IOU and each electric cooperative in the State to construct, maintain, and operate its electrical lines and equipment in a manner that will minimize the risk of catastrophic wildfire posed by those electrical lines and equipment. Senate Bill 901 ("**SB 901**"), which was passed at the end of the 2017-18 biennium session of the California State Legislature and signed by the Governor on September 21, 2018, is meant to address the Governor's and legislative leaders' desire to address response, mitigation, and prevention of wildfires. SB 901 requires, among other things, POUs, such as the City, to prepare before January 1, 2020 and annually thereafter, a wildfire mitigation plan. SB 901 requires specified information and elements to be included in the plan. SB 901 further requires a POU to present its wildfire mitigation plan in an appropriately noticed public meeting, to accept comments on the plan from the public, other local and state agencies, and interested parties, and to verify that the plan complies with all applicable rules, regulations, and standards, as appropriate. SB 901 requires the POU to contract with a qualified independent evaluator to review and assess the comprehensiveness of its plan. The report of the independent evaluator is to be made available on the internet website of the POU and to be presented at a public meeting of the POU's governing board. SB 901 also requires utilities that were to secure biomass procurement contracts under SB 859 (discussed above) to "seek" an amendment to the contract for an extension of another five years from the expiration date. Although there is no enforcement mechanism, the City will explore the possibilities, if necessary, of amending the ARP – Loyalton Biomass Project with SCPPA.

The bill does not address existing legal doctrine relating to utilities' liability for wildfires; however, any future legislation that addresses California's inverse condemnation and "strict liability" issues for utilities in the context of wildfires in particular could be significant for the electric utility industry, including the City.

Future Regulation

The electric industry is subject to continuing legislative and administrative reform. States routinely consider changes to the way in which they regulate the electric industry. Historically, both further deregulation and forms of additional regulation have been proposed for the industry, which has been highly regulated throughout its history. While there is no current proposal to further deregulate the industry, there still are additional regulations or legislative mandates being proposed or considered for the industry such as higher reliance on renewable energy and tighter regulations for greenhouse gas emission reductions. The City is unable to predict at this time the impact any such proposals will have on the operations and finances of the Electric System or the electric utility industry generally.

Impact of Developments on the City

The effect of the developments in the California energy markets described above on the City cannot be fully ascertained at this time. Also, volatility in energy prices in California may return due to a variety of factors that affect both the supply and demand for electric energy in the western United States. These factors include, but are not limited to, the adequacy of generation resources to meet peak demands, the availability and cost of renewable energy, the impact of economy-wide greenhouse gas emission legislation and regulations, fuel costs and availability, weather effects on customer demand, transmission congestion, the strength of the economy in California and surrounding states and levels of hydroelectric generation within the region (including the Pacific Northwest). See “OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY.” This price volatility may contribute to greater volatility in the revenues of the Electric System from the sale (and purchase) of electric energy and, therefore, could materially affect the City’s financial condition. The City undertakes resource planning and risk management activities and manages its resource portfolio to mitigate such price volatility and spot market rate exposure.

OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

Federal Policy on Cybersecurity

On February 13, 2013, then President Obama issued the Executive Order "Improving Critical Infrastructure Security" (the "**Executive Order**"). Among other things, the Executive Order called for improved information sharing and processing of security clearances for owners and operators of critical infrastructure. The Executive Order further required the Secretary of Commerce to direct the National Institute of Standards and Technology ("**NIST**") to lead the development of a framework ("**Framework**") to reduce cyber risks to critical infrastructure. NIST released the first version of the voluntary Framework on February 12, 2014. NIST had indicated that it intends for the Framework to be a living document that will continue to be updated and improved as industry provides feedback on implementation. NIST posted the second draft of a proposed update in December 2017 and finalized the second version in April 2018.

The City will continue to monitor this issue in order to help ensure that the Framework continues to recognize the existing cybersecurity efforts in the electric sector, and does not undermine them by creating duplicative or inconsistent processes.

The Cybersecurity Information Sharing Act of 2015 was signed into law on December 18, 2015 as part of the year-end Omnibus Appropriations Act. It creates an industry-supported, voluntary cybersecurity information sharing program that will encourage both public and private sector entities to share cyber-related threat information.

Federal Energy Legislation

Energy Policy Act of 2005. Under the federal Energy Policy Act of 2005 ("**EPAct 2005**"), FERC was given refund authority over POUs if they sell into short-term markets, like the ISO markets, and sell eight million MWhs or more of electric energy on an annual basis. In addition, FERC was given authority over the behavior of market participants. Under FERC's authority it can impose penalties on any seller for using a manipulative or deceptive device, including market manipulation, in connection with the purchase or sale of energy or of transmission service. The Commodity Futures Trading Commission also has jurisdiction to enforce certain types of market manipulation or deception claims under the Commodity Exchange Act.

EPAct 2005 authorized FERC to issue permits to construct or modify transmission facilities located in a national interest electric transmission corridor if FERC determines that the statutory conditions are met. EPAct 2005 also required the creation of an electric reliability organization ("**ERO**") to establish and enforce, under FERC supervision, mandatory reliability standards ("**Reliability Standards**") to increase system reliability and minimize blackouts. Failure to comply with such Reliability Standards exposes a utility to significant fines and penalties by the ERO.

NERC Reliability Standards. As described above, EPAct 2005 required FERC to certify an ERO to develop mandatory and enforceable Reliability Standards, subject to FERC review and approval. The Reliability Standards apply to users, owners and operators of the Bulk-Power System, as more specifically set forth in each Reliability Standard. On February 3, 2006, FERC issued Order 672, which certified the North American Electric Reliability Corporation ("**NERC**") as the ERO. Many Reliability Standards have since been approved by FERC. Such standards

pertain not only to the planning, operations, and maintenance of Bulk-Power System facilities, but also to the cyber and physical security of certain critical facilities.

The ERO or the entities to which NERC has delegated enforcement authority through an agreement approved by FERC ("**Regional Entities**"), such as the Western Electricity Coordinating Council ("**WECC**"), may enforce the Reliability Standards, subject to FERC oversight, or FERC may independently enforce them. Potential monetary sanctions include fines of up to $1 million per violation per day. FERC Order 693 further provided the ERO and Regional Entities with the discretion necessary to assess penalties for such violations, while also having discretion to calculate a penalty without collecting the penalty if circumstances warrant.

Federal Regulation of Transmission Access

EPAct 2005 authorizes FERC to compel "open access" to the transmission systems of certain utilities that are not generally regulated by FERC, including municipal utilities if the utility sells more than four million MWhs of electricity per year. Under open access, a transmission provider must allow all customers to use the system under standardized rates, terms and conditions of service.

FERC Order No. 888 requires the provision of open access transmission services on a nondiscriminatory basis by all "jurisdictional utilities" (which, by definition, does not include municipal entities like the City) by requiring all such utilities to file Open Access Transmission Tariffs ("**OATTs**"). Order No. 888 also requires "non-jurisdictional utilities" (which, by definition, does include the City) that purchase transmission services from a jurisdictional utility under an open access tariff and that owns or controls transmission facilities to provide open access service to the jurisdictional utility under terms that are comparable to the service that the non-jurisdictional utility provides itself. Section 211A of EPAct 2005 authorizes, but does not require, FERC to order unregulated transmission utilities to provide transmission services. Specifically, FERC may require an unregulated transmitting utility to provide access to its transmission facilities (1) at rates that are comparable to those that the unregulated transmitting utility charges to itself; and (2) on terms and conditions (not relating to rates) that are comparable to those under which the unregulated transmitting utility provides transmission services to itself that are not unduly discriminatory or preferential.

On February 16, 2007, FERC issued Order 890, which concluded that reform of its pro forma OATT was necessary to reduce the potential for undue discrimination and provide clarity in the obligations of transmission providers and customers. Significantly, in Order 890 FERC stated that it will implement its authority under Section 211A with respect to unregulated transmitting utilities on a case-by-case basis and retain the current reciprocity provisions.

On July 21, 2011, FERC issued Order 1000, which among other things requires public utility (jurisdictional) transmission providers to participate in a regional transmission planning process that produces a regional transmission plan and that incorporates a regional and inter-regional cost allocation methodology. Further, FERC states that it has the authority to allocate costs to beneficiaries of transmission services, even in the absence of a contractual relationship between the owner of the transmission facilities and the beneficiary. Under EPAct 2005, FERC may not require municipal utilities to join regional transmission organizations, in which participating utilities allow an independent entity to oversee operation of the utilities' transmission facilities. FERC has stated, however, that FERC expects such utilities to participate in the regional processes for transmission planning and that FERC will pursue

associated complaints against such utilities on a case-by-case basis. As described under the heading "THE ELECTRIC SYSTEM – California Independent Systems Operator," the City is a PTO with CAISO.

Other Federal Legislation

Congress has considered and is considering numerous bills addressing domestic energy policies and various environmental matters, including bills relating to energy supplies and development (such as a federal energy efficiency standard and expedited permitting for natural gas drilling projects), cybersecurity, reducing regulatory burdens, climate change and water quality. Many of these bills, if enacted into law, could have a material impact on the Electric System and the electric utility industry generally. In light of the variety of issues affecting the utility sector, federal energy legislation in other areas such as reliability, transmission planning and cost allocation, operation of markets, environmental requirements, and cybersecurity is also possible. However, the City is unable to predict the outcome or potential impacts of any possible legislation on the Electric System at this time.

Environmental Issues

General. Electric utilities are subject to continuing environmental regulation. Federal, State and local standards and procedures which regulate the environmental impact of electric utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that any facilities or projects of the Electric System will remain subject to the laws and regulations currently in effect, will always be in compliance with future laws and regulations or will always be able to obtain all required operating permits. In addition, the election of new administrations, including the President of the United States, could impact substantially the current environmental standards and regulations and other matters described herein. An inability to comply with environmental standards could result in, for example, additional capital expenditures, reduced operating levels or the shutdown of individual units not in compliance. In addition, increased environmental laws and regulations may create certain barriers to new facility development, may require modification of existing facilities and may result in additional costs for affected resources.

Greenhouse Gas Regulations Under the Clean Air Act. The United States Environmental Protection Agency (the "**EPA**"), particularly under the Obama Administration, has taken numerous steps to regulate greenhouse gas emissions under existing law. In 2009, the EPA issued a final "endangerment finding," in which it declared that the weight of scientific evidence required a finding that six identified greenhouse gases, namely, CO2, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride, cause global warming, and that global warming endangers the public health and welfare. The final rule for the "endangerment finding" was published in the Federal Register on December 15, 2009. As a result of this finding, the EPA determined that it was authorized to issue regulations limiting CO2 emissions from, among other things, motor vehicles and stationary sources, such as electric generating facilities, under the federal Clean Air Act. The EPA subsequently issued the "Tailoring Rule," published in the Federal Register on June 3, 2010, which regulates greenhouse gas emissions from large stationary sources, including electric generating facilities, if the sources emit more than the specified threshold levels of tons per year of CO2. Under the Tailoring Rule, large sources with the potential to emit in excess of the applicable threshold were to be subject to the major source permitting requirements under the Clean Air Act, including the EPA's Prevention of Significant Deterioration ("**PSD**") permit program and its Title

V operating permit program. Permits would be required in order to construct, modify and operate facilities exceeding the emissions threshold. Examples of such permitting requirements include, but are not limited to, the application of Best Available Control Technology (known as BACT) for greenhouse gas emissions, and monitoring, reporting, and recordkeeping for greenhouse gases.

Legislation and joint disapproval resolutions were subsequently introduced in the United States Congress seeking to repeal the EPA's endangerment finding or otherwise prevent the EPA from regulating greenhouse gases as air pollutants. The endangerment finding and the Tailoring Rule were also challenged in court, but were upheld on June 26, 2012 in a decision by the United States Court of Appeals for the District of Columbia Circuit (the "**D.C. Circuit Court**") in Coalition for Responsible Regulation, Inc., et al. v. EPA. A petition for rehearing was denied on December 20, 2012. In October 2013, several petitions for review relating to these findings were consolidated in the United States Supreme Court (the "**U.S. Supreme Court**") case Utility Air Regulatory Group v. EPA, dealing with the issue of whether the EPA permissibly determined that its regulation of greenhouse gas emissions from new motor vehicles triggered permitting requirements under the Clean Air Act for stationary sources that emit greenhouse gases. On June 23, 2014, the U.S. Supreme Court issued its decision in the Utility Air Regulatory Group v. EPA case. In the decision, the Court invalidated substantial portions of the Tailoring Rule, which purported to modify the emissions thresholds set forth in the Clean Air Act (governing when PSD and Title V permitting would be triggered) to account for greenhouse gases, while preserving various aspects of the EPA's ability to regulate greenhouse gas emissions from most new major sources. The decision holds that, for facilities that are otherwise subject to PSD permitting obligations (by virtue of their emissions of conventional pollutants), the EPA may regulate greenhouse gases from those facilities through the PSD BACT standards (without approving the EPA's current approach to BACT regulation of greenhouse gases, or any other approach that may be adopted).

In December 2010, the EPA announced two settlements with a number of states and environmental groups. Pursuant to one settlement agreement dated December 23, 2010, the EPA on April 13, 2012 proposed establishing New Source Performance Standards limiting CO2 emissions from fossil-fuel fired electric generating units. In response to a June 25, 2013, Presidential memorandum (the "**Presidential Memorandum**"), the EPA proposed revised, generally more stringent standards on September 20, 2013 and simultaneously rescinded the April 13, 2012 proposal. The EPA stated that the revised standards would apply only to new facilities, not reconstructed or modified facilities. The Presidential Memorandum required the EPA to propose by June 1, 2014, and to finalize by June 1, 2015, standards, regulations, or guidelines to address carbon pollution from existing and modified or reconstructed power plants.

The proposed rule for new power plants was published in the Federal Register on January 8, 2014 for public comment. At the close of the comment period on May 9, 2014, the EPA had received approximately two million comments on the proposed rule.

As contemplated by the Presidential Memorandum, on June 2, 2014, the EPA concurrently released both its "Clean Power Plan" proposal for existing power plants and its proposed revised standards for modified or reconstructed power plants. The proposed rules for existing, and modified or reconstructed, power plants were published in the Federal Register on June 18, 2014; comments on the proposed rules were accepted until December 1, 2014 and October 16, 2014, respectively.

On August 3, 2015, then President Obama and the EPA announced the final version of the Clean Power Plan for existing power plants. The EPA further released its final new source performance standards for emissions of CO2 for newly constructed, modified, and reconstructed power plants. As discussed below, however, implementation of the Clean Power Plan is currently stayed and the EPA has issued a notice of proposed rulemaking that proposes to repeal the Clean Power Plan.

The final version of the Clean Power Plan was designed to reduce CO2 emissions from the power sector by 32% on average nationwide by 2030, from a 2012 baseline. Under the final rule, the EPA would set different interim and final emissions targets for each state based on overall CO2 emissions and the amount of electricity generated in the state and greater regional cooperation (through WECC for California) was encouraged. Under the final rule, states were to have until September 2016 to design their state implementation plans to reach the emissions target or could request an extension until September 2018 either alone or in cooperation with other states while working on multi-state plans. Under the Clean Power Plan, states could choose between two plan types in order to comply with the program: a source-based "emission standards" plan type, including source-specific requirements ensuring all affected power plants within the state meet their required emissions performance rates or state-specific rate based or mass-based goal, and a "state measures" plan type, including a mixture of measures implemented by the state, such as renewable energy standards and programs to improve residential energy efficiency, that would result in affected power plants meeting the state's mass-based goal. In both cases, states would have to demonstrate that their plan will meet the CO2 emission performance rates, the state rate-based goal or the state mass-based goal by 2030. Interim standards were to be phased in from 2022 to 2029 prior to the final standards being reached in 2030. Progress towards meeting the target rates could be measured in one of three ways: (i) a rate-based state emissions goal measured in pounds per MWh; (ii) a mass-based state emissions goal measured in total short tons of CO2; and (iii) a mass-based state goal with a new source complement measured in total short tons of CO2. Under the rule, state emission targets could be met in a combination of ways, with emissions targets set based on three "building blocks" identified by the EPA as reflecting a "Best System of Emissions Reduction," which could include improved efficiency at power plants, switching generation from higher-emitting coal to lower-emitting natural gas, and shifting generation to zero-emitting renewable or nuclear energy. In the event a state failed to develop a satisfactory implementation plan, the EPA could impose a federal implementation plan instead. On August 2, 2016, California became the first state in the country to release to the public a draft of its state implementation plan. A public hearing on the draft state implementation plan was held by CARB on September 22, 2016. Under the draft state implementation plan for California, CARB used the "state measures" approach, applying the mass-based state emissions limit for the total affected power plants and has proposed to use the state cap-and-trade program as its state measure. CARB has thus far adopted mandatory reporting regulation changes that would account for emissions reporting under the Clean Power Plan. See also "DEVELOPMENTS IN THE ENERGY MARKETS – State Legislation – Assembly Bill 32 – Global Warming Solutions Act of 2006."

Concurrently with the release of the final Clean Power Plan for existing power plants, on August 3, 2015, the EPA also released standards to limit CO2 emissions from new, modified and reconstructed power plants. These new final carbon pollution standards would apply to: (i) any newly constructed fossil fuel-fired power plant that commenced construction on or after January 8, 2014; (ii) existing power plants subject to modification, which would include a physical or operational change that increased the source's maximum achievable hourly rate of emissions, which modification occurred on or after June 18, 2014; and (iii) reconstructed power

plants, which would include any unit on which the replacement of components occurred on or after June 18, 2014 and to such an extent that the fixed capital costs of the new components exceeds 50% of the fixed capital costs that would be required to construct a comparable entirely new facility. In the final standards, the EPA established separate standards for two types of fossil fuel-fired sources: (a) stationary combustion turbines, generally firing natural gas, and (b) electric utility steam generating units, generally firing coal. The new standards reflect the degree of emissions limitation achievable through the application of the "Best System of Emissions Reduction," that the EPA determined had been adequately demonstrated for each type of unit. Under the final standards, new and reconstructed baseload natural gas-fired electricity generating units would be required to meet an emissions limit of 1,000 pounds of CO2 per MWh. Non-base load units would need to meet a clean fuels input-based standard. New coal-fired facilities would be required to meet an emissions limit of 1,400 pounds of CO2 per MWh-gross. Coal-fired electricity generating units subject to modifications resulting in an increase of hourly CO2 emissions of more than 10% relative to the emissions of the most recent five years from that unit would be required to meet a unit-specific emission limit consistent with the unit's best historical annual CO2 emissions rate since 2002. Such standard would be in the form of an emissions limit in pounds of CO2 per MWh on a gross-output basis. Reconstructed coal-fired power plants with a heat input of greater than 2,000 MMBtu/h would be required to meet an emissions limit of 1,800 pounds of CO2 per MWh-gross. Smaller coal-fired units would be required to meet an emission limit of 2,000 pounds of CO2 per MWh-gross. These emissions limits were based on the use of the most efficient generating technology at the affected source.

The final Clean Power Plan and the carbon pollution standards for new, modified and reconstructed power plants were to become effective on October 23, 2015; the carbon pollution standards for existing power plants became effective on December 22, 2015. A number of lawsuits were subsequently filed challenging the final rules and seeking to prevent the EPA from moving forward to implement the Clean Power Plan. On October 23, 2015, a group of 24 state attorneys general filed an action in the D.C. Circuit Court seeking a stay of the Clean Power Plan deadlines while its legality was reviewed by the courts. Additional legal and legislative challenges were filed and then consolidated into one case by the D.C. Circuit Court (State of West Virginia, et al. v. EPA). On January 21, 2016, the D.C. Circuit Court denied the request for stay of implementation of the Clean Power Plan and a number of applications for stay were made to the U.S. Supreme Court by parties challenging the Clean Power Plan. On February 9, 2016, the U.S. Supreme Court granted the emergency stay applications filed by opponents of the Clean Power Plan. The orders issued by the Court prevented the EPA from implementing the Clean Power Plan not only until the D.C. Circuit Court issued a judgment on its legality, but also until the U.S. Supreme Court reviewed an expected appeal of that ruling. Oral arguments in the case were heard on September 27, 2016 by a panel of ten judges serving on the D.C. Circuit Court; however, consideration is currently on hold at the request of the Trump Administration. President Trump issued an Executive Order on March 28, 2017 that directed the EPA to review, revise or repeal the Clean Power Plan and other rules. The Justice Department filed two court motions to hold the litigation in abeyance while EPA took action to rescind or revise the two rules. On October 10, 2017, the EPA issued a notice of proposed rulemaking that proposed to repeal the Clean Power Plan. The notice of proposed rulemaking was published in the Federal Register on October 16, 2017. On December 18, 2017, the EPA Administrator released an advance notice of proposed rulemaking seeking input on the best way, if any, to regulate power plant greenhouse gas emissions, initiating the formal process to explore a potential Clean Power Plan replacement. The advance notice of proposed rulemaking was published in the Federal Register on December 28, 2017. The proposed repeal of the Clean Power Plan has been challenged by a number of attorneys general and certain environmental groups. On August 21, 2018, the EPA released its proposed "Affordable Clean Energy" rule that

would replace the 2015 Clean Power Plan. It seeks to establish emission guidelines for states to develop plans to address emissions from existing coal-fired power plants by defining the "best system of emission reduction" as on-site, heat-rate efficiency improvements; providing states with a list of "candidate technologies" that could be used to establish performance standards; updating EPA's New Source Review permitting program to incentivize efficiency improvements and existing plants; and by aligning Section 111(d) of the Clean Air Act with general implementing rules to provide states more time and additional flexibility to develop state plans. Comments on the proposed rule were due 60 days upon formal publication in the Federal Register, on October 31, 2018.

The City unable to predict at this time the outcome of any ongoing legal challenges to EPA rulemaking with respect to greenhouse gas emissions. Further, given the uncertainty regarding the status of the Clean Power Plan and ongoing review of the recently proposed replacement rule, it is too early to determine the effect that any final rules promulgated by the EPA regulating greenhouse gas emissions from electric generating units will have on the City or the Electric System.

Air Quality – National Ambient Air Quality Standards. The Clean Air Act requires that the EPA establish National Ambient Air Quality Standards ("**NAAQS**") for certain air pollutants. When a NAAQS has been established, each state must identify areas in its state that do not meet the EPA standard (known as "**non-attainment areas**") and develop regulatory measures in its state implementation plan to reduce or control the emissions of that air pollutant in order to meet the applicable standard and become an "attainment area." The EPA periodically reviews the NAAQS for various air pollutants and has in recent years increased, or proposed to increase, the stringency of the NAAQS for certain air pollutants. The EPA revised the NAAQS for particulate matter on December 14, 2012, the NAAQS for sulfur dioxide on June 22, 2010, and the NAAQS for nitrogen dioxide on February 9, 2010, and in each case made the NAAQS more stringent. Based on the revised standards for particulate matter, nitrogen dioxide and sulfur dioxide, some areas may be designated as non-attainment. On December 18, 2014, the EPA issued a final rule making initial area designations for the 2012 NAAQS for fine particulate matter ("**PM2.5**"), designating 14 areas in six states as non-attainment, including areas of California. These PM2.5 designations became effective on April 15, 2015. These developments may result in stringent permitting processes for new sources of emissions and additional state restrictions on existing sources of emissions, such as power plants. On September 2, 2011, then President Obama directed the EPA to withdraw a proposal advanced by the EPA to lower the NAAQS for ozone. As a result of this withdrawal, the EPA resumed the process of issuing non-attainment designations for the ozone NAAQS under the standard set in 2008. On April 30, 2012, the EPA issued ozone non-attainment designations for certain areas in California. Additional non-attainment areas for ozone have been and may continue to be designated. On May 29, 2013, the EPA proposed a rule to implement the 2008 ozone NAAQS. While implementing the 2008 ozone NAAQS, the EPA continued its review of this standard. In January 2014, the EPA released draft risk and exposure assessment documents and a draft policy assessment document relating to this review. In addition, the U.S. Supreme Court found in its review of EPA v. EME Homer City Generation, LP that the EPA has authority to impose a Cross-State Air Pollution Rule (the "**Transport Rule**") which curbs air pollution emitted in upwind states to facilitate downwind attainment of three NAAQS. On November 26, 2014, the EPA proposed to strengthen the stringency of the NAAQS for ozone by lowering the existing ozone standard of 75 parts per billion ("**ppb**") to between 65 and 70 ppb, although the EPA also sought public comment on a standard as low as 60 ppb. On October 1, 2015, the EPA issued its final rule, lowering the ozone standard to 70 ppb. The final rule was to become effective on December 28, 2015. Legal challenges to the final rule have been filed by a number of states

and industry groups. On March 12, 2018, a federal district judge in Northern California ordered the EPA to complete the strengthened 2015 ozone standard designations later in 2018. EPA's proposed final rule was submitted to the White House for inter-agency review on July 3, 2018, to implement the strengthened 70 ppb NAAQS on State implementation requirements. In March 2018, the EPA issued final requirements that would apply to state, local and tribal air agencies for implementing the 2015 NAAQS, and in July 2018, the EPA completed the area designations with respect to the 2015 NAAQS. EPA was also under court order to respond to pending litigation by August 15, 2018. Parties to long-pending legal challenges (now a consolidated case) filed a joint motion before the D.C. appellate court on August 22, 2018, agreeing that the case (*Murray Energy Corporation v. EPA*) should be scheduled for oral arguments and jointly proposed a format and time allocation for oral arguments. On August 1, 2018, the EPA notified the court that it did not intend to revisit the 2015 standard. The EPA reported that it has begun the next ozone NAAQS review, which will implement a new process for reviewing NAAQS, and that it intends to complete this ozone NAAQS review by 2020. On November 14, 2018, the Federal Register formally noticed the final requirements for implementing the 2015 NAAQS for ground-level ozone and retains most of the provisions.

Mercury and Air Toxics Standards. On December 16, 2011, the EPA signed a rule establishing new standards to reduce air pollution from coal- and oil-fired power plants under sections 111 (new source performance standards) and 112 (toxics program) of the Clean Air Act. The final rule was published in the Federal Register on February 16, 2012. The EPA updated the Mercury and Air Toxics Standards ("**MATS**") emission limits on November 30, 2012 and again on March 28, 2013. Under section 111 of the Clean Air Act, the MATS rule revised the standards that new and modified facilities, including coal- and oil-fired power plants, must meet for particulate matter, sulfur dioxide, and nitrogen oxide. Under section 112, the MATS rule set new toxics standards limiting emissions of heavy metals, including mercury, arsenic, chromium, and nickel; and acid gases, including hydrochloric acid and hydrofluoric acid, from existing and new power plants larger than 25 MW that burn coal or oil. Power plants would have up to four years to meet these standards. While many plants already meet some or all of these revised standards, some plants would be required to install new equipment to meet the standards. On November 25, 2014, the U.S. Supreme Court agreed to review the MATS rule following the filing of petitions for writ of certiorari from 23 states and industry groups. On June 29, 2015, the U.S. Supreme Court issued its decision in the case, finding that the EPA interpreted the Clean Air Act improperly because it did not consider the costs of emissions reductions prior to crafting the MATS rules, and remanded the case back to the D.C. Circuit Court. On December 15, 2015, the D.C. Circuit Court determined to leave the MATS rule in place while it is being revised on remand as ordered by the U.S. Supreme Court. The EPA issued a final finding on April 14, 2016. In April 2017 the Trump Administration requested that the D.C. appellate court delay oral arguments that were to be held in May 2017 challenging the MATS rule.

Effluent Limitations Guidelines and Standards. On June 7, 2013, the EPA proposed to set technology-based effluent limitations guidelines and standards for metals and other pollutants in wastewater discharged from steam electric power plants. The proposal would cover wastewater associated with several types of equipment and processes, including flue gas desulfurization, fly ash, bottom ash, flue gas mercury control and gasification of fuels. The EPA considered best management practices for surface impoundments containing coal combustion residuals. The EPA proposed four preferred alternatives for regulating wastewater discharges. The stringency of controls, types of waste streams covered, and the costs varied among the four alternatives. On September 30, 2015, the EPA announced its final Steam Electric Effluent Limitation Guidelines to update the federal limits on toxic metals in discharge wastewater. On

June 6, 2017, the Trump Administration announced that it was postponing certain compliance dates in the effluent limitation guidelines and standards for the new, more stringent steam electric point source category under the Clean Water Act until the EPA completes reconsideration of the 2015 rule. According to the most recently-released "Unified Agenda and Deregulatory Actions" reports, the EPA expects to issue a Notice of Proposed Rulemaking in December 2018 to address industry concerns with the more stringent Best Available Technology Economic Achievable effluent limitations and the Pretreatment Standards for Existing Sources in the Obama Administration's 2015 rule.

Other Factors

The electric utility industry in general has been, or in the future may be, affected by a number of other factors which could impact the financial condition and competitiveness of many electric utilities and the level of utilization of generating and transmission facilities. In addition to the factors discussed above, such factors include, among others, (a) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements other than those described above (including those affecting nuclear power plants or potential new energy storage requirements), (b) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (c) effects on the integration and reliability of power supply from the increased usage of renewables, (d) changes resulting from a national energy policy, (e) effects of competition from other electric utilities (including increased competition resulting from a movement to allow direct access or from mergers, acquisitions, and "strategic alliances" of competing electric and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity, (f) the repeal of certain federal statutes that would have the effect of increasing the competitiveness of many IOUs, (g) increased competition from independent power producers and marketers, brokers and federal power marketing agencies, (h) "self-generation" or "distributed generation" (such as microturbines, fuel cells and solar installations) by industrial and commercial customers and others, (i) issues relating to the ability to issue tax-exempt obligations, including severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects and transmission service from transmission line projects financed with outstanding tax-exempt obligations, (j) effects of inflation on the operating and maintenance costs of an electric utility and its facilities, (k) changes from projected future load requirements, (l) increases in costs and uncertain availability of capital, (m) shifts in the availability and relative costs of different fuels (including the cost of natural gas and nuclear fuel), (n) sudden and dramatic increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, such as has occurred in the past in California, (o) issues relating to risk management procedures and practices with respect to, among other things, the purchase and sale of natural gas, energy and transmission capacity, (p) other legislative changes, voter initiatives, referenda and statewide propositions, (q) effects of the changes in the economy, population and demand of customers within a utility's service area, (r) effects of possible manipulation of the electric markets, (s) acts of terrorism or cyber-terrorism, (t) natural disasters or other physical calamities, including, but not limited to, droughts, severe weather, earthquakes, floods and wildfires, and potential liabilities of electric utilities in connection therewith, and (u) changes to the climate. Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility and likely will affect individual utilities in different ways.

The City is unable to predict what impact such factors will have on the business operations and financial condition of the Electric System, but the impacts could be significant. This Official Statement includes a brief discussion of certain of these factors. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is available from the legislative and regulatory bodies and other sources in the public domain, and potential purchasers of the 2019A Bonds should obtain and review such information.

CONSTITUTIONAL LIMITATIONS IN CALIFORNIA AFFECTING FEES AND CHARGES IMPOSED BY THE CITY

The following is a discussion of certain limitations under provisions of the California Constitution that may affect the rates, fees and charges imposed by the City for the services provided by the Electric System.

Proposition 218 and Proposition 26

Proposition 218, a State ballot initiative known as the "Right to Vote on Taxes Act," was approved by the voters of the State of California on November 5, 1996. Proposition 218 added Articles XIIIC and XIIID to the State Constitution. Article XIIIC imposes a majority voter approval requirement on local governments (including the City) with respect to taxes for general purposes, and a two-thirds voter approval requirement with respect to taxes for special purposes. Article XIIID creates additional requirements for the imposition by most local governments of general taxes, special taxes, assessments and "property-related" fees and charges. Article XIIID explicitly exempts fees for the provision of electric service from the provisions of such article.

Article XIIIC expressly extends the people's initiative power to the reduction or repeal of local taxes, assessments, and fees and charges imposed prior to its effective date (November 1996). The California Supreme Court held in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal.4th 205 (2006) that, under Article XIIIC, local voters by initiative may reduce a public agency's water rates and delivery charges, as those are property-related fees or charges within the meaning of Article XIIID, and noted that the initiative power described in Article XIIIC may extend to a broader category of fees and charges than the property-related fees and charges governed by Article XIIID. Moreover, in the case of *Bock v. City Council of Lompoc*, 109 Cal.App.3d 52 (1980), the Court of Appeal determined that an electric rate ordinance was not subject to the same constitutional restrictions that are applied to the use of the initiative process for tax measures so as to render it an improper subject of the initiative process. Thus, electric service charges (which are expressly exempted from the provisions of Article XIIID) may be subject to the initiative provisions of Article XIIIC, thereby subjecting such fees and charges to reduction by the electorate.

The California electorate approved Proposition 26 at the November 2, 2010, election, amending Article XIIIC of the California Constitution. Proposition 26 was designed to supplement tax limitations California voters adopted when they approved Proposition 13 in 1978, and Proposition 218 in 1996. Proposition 26 applies by its terms to any levy, charge or exaction imposed, increased or extended by a local government on or after November 3, 2010. Proposition 26 deems any such levy, charge or fee to be a "tax", requiring voter approval under Article XIIIC unless it comes within one of the listed exceptions. Proposition 26 expressly excludes from its definition of a "tax," among other things, a "charge imposed for a specific

government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product."

Proposition 26 is subject to interpretation by California courts. Proposition 26 may be interpreted to limit fees and charges for electric utility services charged by governmental entities such as the City to require stricter standards for the allocation of costs among customer classes and/or to limit or preclude future transfers of electric utility generated funds to a local government's general fund, if applicable. A number of lawsuits have been reported to have been filed against public agencies in California relating to electric utility fund transfers. In Citizens for Fair REU Rates v. City of Redding (filed on January 20, 2015 and modified on February 19, 2015), for example, the California Court of Appeal considered a ratepayer challenge to a "payment in lieu of taxes" (or "**PILOT**") required by the City of Redding to be made by its electric utility as an annual budgetary transfer amount without voter approval. The city's PILOT was designed to compensate the general fund for the costs of services that other city departments provide to the electric utility. The amount of the PILOT was equivalent to the ad valorem taxes the electric utility would have had to pay if the electric utility were privately owned. The suits alleged that the PILOT was passed through to the city's electric utility customers as part of the rates and charges for electric service in excess of the reasonable costs to the city of providing electric service. The Court of Appeal determined that a charge for electric service could be an "imposed charge," and therefore subject to Proposition 26, if the purchaser has no realistic alternative power source. The Court of Appeal noted that Proposition 26 has no retroactive effect as to local taxes that existed prior to November 3, 2010, but found that since the PILOT was subject to the City Council's recurring discretion, the PILOT did not escape the purview of Proposition 26. The Court of Appeal concluded that the PILOT constituted a "tax" under Proposition 26 for which the city must secure voter approval unless the city proved that the amount collected was necessary to cover the reasonable costs to the city of providing electric service. The Court of Appeal remanded the case to the Superior Court for further evidentiary proceedings on such matter. On April 29, 2015, the California Supreme Court granted review of the decision of the Court of Appeal. The California Supreme Court rendered its decision on August 27, 2018, reversing the judgment of the Court of Appeal. The California Supreme Court determined that the budgetary transfer from the Redding electric utility to the city's general fund, calculated by using the PILOT, itself is not the type of exaction that is subject to Article XIIIC of the California Constitution. The court reasoned that it is only the Redding electric utility rate, not the PILOT, that is imposed on customers for electric service. The California Supreme Court concluded that because the Redding electric utility paid the PILOT with non-rate revenues, the challenged rate did not exceed the reasonable costs of providing electric service, and therefore did not constitute a tax.

Electric rate challenges under Article XIIIC have also been filed against City. See "THE ELECTRIC SYSTEM – Litigation" for certain information regarding such litigation.

The City is unable to predict at this time how Propositions 218 and 26 will ultimately be interpreted by the courts in the context of the Electric System's rates or what the ultimate impact of Propositions 218 or 26 will be.

Future Initiatives

Articles XIIIC and XIIID and the amendments effected thereto by Proposition 26 were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time, including presently, other initiatives have been, and could be, proposed, and if

qualified for the ballot, could be adopted affecting the City's revenues or operations. Neither the nature and impact of these measures nor the likelihood of qualification for ballot or passage can be predicted by the City.

RISK FACTORS

The purchase of the 2019A Bonds involves investment risk. Such risk factors include, but are not limited to, the following matters. The order in which such matters are presented does not reflect their relative importance.

2019A Bonds Are Limited Obligations

The general fund of the City is not liable for the payment of debt service on the 2019A Bonds, nor is the credit or taxing power of the City pledged for the payment of debt service on the 2019A Bonds. No owner of any 2019A Bond may compel the exercise of the taxing power by the City or the forfeiture of any of its property. The principal of and interest on the 2019A Bonds are neither a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues, except the Net Operating Revenues and other funds, security or assets which are pledged to the payment of the 2019A Bonds under the Resolution.

Limitations on Remedies

The enforceability of the rights and remedies of the owners of the 2019A Bonds and the Fiscal Agent, and the obligations incurred by the City, may be subject to the following: the limitations on legal remedies against cities in California; the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; principles of equity which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the U.S. Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose.

The opinions of counsel, including Bond Counsel, delivered in connection with the issuance and delivery of the 2019A Bonds will be so qualified. Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights. Remedies may be limited since the Electric System serves an essential public purpose.

Debt Service Reserve Account Not Funded

Under the Resolution, the City may, but is not required to, establish a separate reserve account for a Series of Bonds. Although a separate reserve account is being established for the 2019A Bonds, the City is not funding such account and has no obligation to fund the accounts in the future. The owners of the 2019A Bonds will not be entitled to amounts on deposit in the Reserve Accounts established for other series of Bonds.

Electric System Expenses and Collections

The City's Electric System, timely payment of debt service on the Bonds and the financial condition of the City's Electric System are dependent, in part, upon the payment by customers of the amounts billed to such customers for the energy they receive. There are multiple factors that might result in increased overall rates charged to such customers and, as a result, potentially have an adverse effect on collections. Many of these factors are not under the influence or control of the City or are factors over which the City has only limited influence or control. These factors include, but are not limited to, the following factors:

Changes in General Economic Conditions. Significant changes in general economic conditions may be caused by, among other things, fluctuating business cycles, uncharacteristic weather patterns (such as droughts) or the occurrence of natural disasters (such as earthquakes or floods). In addition, a slowdown in the State's economy could result from a declining real estate market. Such factors could lead to significant reductions in retail energy sales, resulting in increased retail rates for electric energy to offset reduced revenues.

Energy Market-Driven Increases in Wholesale Power Costs. Wholesale power costs are affected by a number of factors, including, but not limited to, weather, fuel supplies and transmission, transmission systems operations and capacity (including import capability), and generation capacity. Natural gas pipeline transmission interruptions (due to seismic or other environmental events, accidents or intentional acts) could result in higher natural gas prices in California and substantial increases in gas-fired electric generating facility operating costs. Due to the City's ownership interest or participation in joint generation projects, and long-term power contracts, it has minimal reliance on the volatile natural gas and spot market pricing impacts.

Market Manipulation. The CAISO, with the approval from FERC, adopted tariffs, protocols and regulations governing the conduct of energy suppliers and other entities whose activities affect the transmission system. CAISO tariffs, protocols and regulations are intended, among other things, to prevent manipulation of the CAISO's transmission system. The CAISO monitors the activities of transmission system participants, but manipulative behavior could occur, possibly resulting in higher or substantially higher costs. This risk is somewhat mitigated by the City's construction and acquisition of additional generating capacity and the City's risk management activities.

Impact of These Factors. The factors discussed above (and other factors) might result in increased rates while Bonds remain outstanding. If a combination of one or more such factors lead to increased retail rates for electric energy, such increase could lead to increased delinquencies and non-payments by customers. See "THE ELECTRIC SYSTEM – Uncollectible Accounts" for a discussion of uncollectible accounts.

There can be no assurance that the City's expenses for the Electric System will remain at the levels described in this Official Statement. For example, the City's take-or-pay contracts with IPA and SCPPA contain "step-up" provisions obligating the City to pay a share of the obligations of a defaulting participant (see "THE ELECTRIC SYSTEM – Joint Powers Agency Obligations"); any such default would increase the City's expenses. Also, increases in fuel and energy costs, new environmental regulations or other expenses could reduce the City's Net Operating Revenues and could require substantial increases in rates or charges. Such rate increases could increase the likelihood of nonpayment, and could also decrease demand.

Although the City has covenanted to prescribe, revise and collect rates and charges for the Electric System at certain levels, there can be no assurance that such amounts will be collected in the amounts and at the times necessary to make timely payments with respect to the 2019A Bonds.

Casualty Risk

Any natural disaster or other physical calamity, including earthquake, may have the effect of reducing Net Operating Revenues through damage to the Electric System and/or adversely affecting the economy of the surrounding area. The Resolution requires the City to maintain insurance or self-insurance, but only if and to the extent available from responsible insurers at reasonable rates. In the event of material damage to Electric System facilities, there can be no assurance that insurance proceeds will be adequate to repair or replace such facilities. See "THE ELECTRIC SYSTEM – Insurance" and "– Seismic Issues."

The City has an ownership interest in two nuclear generating stations: SONGS and PVNGS (each as described above under "THE ELECTRIC SYSTEM – City-Owned Generating Facilities" and "– Entitlements"). In March 2011, an 8.9 magnitude earthquake in Japan triggered a tsunami that damaged a number of nuclear power plants and threatened to release radiation. If an earthquake of a similar magnitude and/or a tsunami were to occur in southern California and SONGS were to be damaged as a result, significant consequences could result, which could adversely impact the costs of operating the Electric System. PVNGS, located in Wintersburg, Arizona (near Phoenix), is in an area of low seismic risk and, because it is not near a body of water, it is not susceptible to damage from tsunamis.

Cybersecurity

The City, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "**Systems Technology**").

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage.

The City's IT Department provides support for the Electric System's electronic system cyber security. This includes audits and recommended improvements to facility hardware and software to keep systems up to date with the latest cyber treat tools.

Certain Other Limitations on Fees and Charges

On July 6, 2005, the California First District Court of Appeals certified for publication *The Regents of the University of California v. East Bay Municipal Utility District*, 130 Cal.App.4th 1361 (2005), concluding that the capital component of a public utility's periodic water service charges constituted a capital facilities fee within the meaning of California Government Code Section 54999 et seq. (often referred as the "**San Marcos Legislation**"). The San Marcos Legislation authorizes any public agencies providing public utility service (which is defined to include, among other things, water and electric service) to continue to charge, increase or impose capital facilities fees, including upon public agencies; provided, that the imposition of

such capital facilities fees upon certain educational entities, such as the University of California, or state agencies is subject to certain limitations. Among the limitations on the imposition of such capital facilities fees are the following requirements: (i) for capital facilities fees imposed prior to July 21, 1986, (a) the fee must be necessary to defray the actual construction costs of that portion of a public utility facility actually serving the educational entity or state agency and (b) any increase in the fee is limited to the percentage increase in the Implicit Price Deflator for State and Local Government Purchases; (ii) for new capital facilities fees imposed after July 21, 1986, or any increase in a capital facilities fee in excess of the amount set forth in clause (i)(b), an agreement must be reached through negotiations entered into by both parties, and (iii) capital facilities fees imposed for electric utility service are subject to certain additional procedural requirements including certain prior notice, hearing and disclosure requirements. The impact of the East Bay Municipal Utility District decision is to extend the requirements of the San Marcos Legislation to the capital component of a public utility's periodic service charges.

General Fund Transfers

See "THE ELECTRIC SYSTEM – Transfers to the General Fund of the City" for a discussion of certain legal issues relating to the Electric System's transfers to the City's General Fund.

Change in Law

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives, or that the State Legislature will not enact legislation that will amend the laws of the State, or that the City Council (with voter approval) will not enact amendments to the City's Charter, in a manner that could result in a reduction of the Net Operating Revenues and, therefore, increase the risk of nonpayment of debt service on the 2019A Bonds. See, for example, "CONSTITUTIONAL LIMITATIONS IN CALIFORNIA AFFECTING FEES AND CHARGES IMPOSED BY THE CITY."

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," interest with respect to the 2019A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of execution and delivery of the 2019A Bonds as a result of future acts or omissions of the City in violation of certain covenants contained in the Resolution. Should such an event of taxability occur, the 2019A Bonds are not subject to special redemption or any increase in interest rate and will remain outstanding until maturity or until redeemed under one of the redemption provisions contained in the Resolution.

Secondary Market

There can be no guarantee that there will be a secondary market for the 2019A Bonds or, if a secondary market exists, that any 2019A Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount ("**OID**") on the 2019A Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and OID) on the 2019A Bonds is exempt from State personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and OID) on the 2019A Bonds is based upon certain representations of fact and certifications made by the City and others and is subject to the condition that the City comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the 2019A Bonds to assure that interest (and OID) on the 2019A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and OID) on the 2019A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2019A Bonds. The City has covenanted to comply with all such requirements.

In the opinion of Bond Counsel, the difference between the issue price of a 2019A Bond (the first price at which a substantial amount of the 2019A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity of such 2019A Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a beneficial owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a beneficial owner will increase the beneficial owner's basis in the applicable 2019A Bond. The amount of original issue discount that accrues to the beneficial owner of a 2019A Bond is excluded from the gross income of such beneficial owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

The amount by which a 2019A Bond Owner's original basis for determining loss on sale or exchange in the applicable 2019A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the 2019A Bond Owner's basis in the applicable 2019A Bond (and the amount of tax-exempt interest received with respect to the 2019A Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a 2019A Bond Owner realizing a taxable gain when a 2019A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2019A Bond to the Owner. Purchasers of the 2019A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "**IRS**") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2019A Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2019A Bonds might be affected as a result of such an audit of the 2019A Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2019A Bonds to the extent that it

adversely affects the exclusion from gross income of interest (and OID) on the 2019A Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE 2019A BONDS THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE 2019A BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2019A BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2019A BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE 2019A BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE 2019A BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2019A BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Bond Counsel's engagement with respect to the 2019A Bonds terminates upon their delivery and Bond Counsel disclaims any obligation to update the matters set forth in its opinion. The Resolution and the Tax Certificate relating to the 2019A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest for federal income tax purposes with respect to any 2019A Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that interest (and OID) on the 2019A Bonds is excluded from gross income for federal income tax purposes provided that the City continues to comply with certain requirements of the Code, the ownership of the 2019A Bonds and the accrual or receipt of interest (and OID) on the 2019A Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2019A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2019A Bonds.

Should interest (and original issue discount) on the Bonds become includable in gross income for federal income tax purposes, the 2019A Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Resolution.

A copy of the proposed form of opinion of Bond Counsel is attached to this Official Statement as APPENDIX E.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the 2019A Bonds are subject to the unqualified approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Bond Counsel has not undertaken any responsibility to the Owners for the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the 2019A Bonds and expresses no opinion relating thereto. Said opinion in substantially the form attached as APPENDIX E will be delivered at the time of delivery of the 2019A Bonds. Certain legal matters will be passed upon for the City by the City Attorney. Jones Hall, A Professional Law Corporation, San Francisco, California, is acting as Disclosure Counsel to the City, and Norton Rose Fulbright US LLP, Los Angeles, California, is acting as counsel to the Underwriters.

The payment of the fees and expenses of the Underwriters, Bond Counsel, Disclosure Counsel and Underwriters' Counsel is contingent upon the closing of the sale of the 2019A Bonds.

LITIGATION

No Litigation Relating to 2019A Bonds. At the time of delivery and payment for the 2019A Bonds, appropriate officers of the City will certify that there is no litigation pending, or, to the knowledge of the City, threatened, (i) questioning the corporate existence of the City, or the title of the officers of the City to their respective offices, or the validity of the 2019A Bonds or the power and authority of the City to issue the 2019A Bonds, or (ii) seeking to restrain or enjoin the collection of revenues pledged to pay the 2019A Bonds.

Litigation Relating to Electric System. For information about litigation relating to the Electric System, see "THE ELECTRIC SYSTEM – Litigation."

FINANCIAL STATEMENTS

The financial statements of the City of Riverside Electric Utility as of and for the year ended June 30, 2018 (the "**2018 Financial Statements**"), included in APPENDIX B to this Official Statement have been audited by Macias Gini & O'Connell LLP, independent accountants (the "**Auditor**") as stated in its report appearing in APPENDIX B. The City has not requested, nor has the Auditor given, the Auditor's consent to including its report in APPENDIX B. The Auditor's review in connection with the 2018 Financial Statements included in APPENDIX B included events only as of June 30, 2018, and no review or investigation with respect to subsequent events has been undertaken by the Auditor in connection with the 2018 Financial Statements.

RATINGS

S&P Global Ratings has assigned a municipal bond rating of "____" to the 2019A Bonds, and Fitch Ratings, Inc. has assigned a municipal bond rating of "____" to the 2019A Bonds.

These ratings reflect only the views of the respective rating agency, and an explanation of the significance of these ratings, and any outlook assigned to or associated with these ratings, should be obtained from the respective rating agency.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to the rating agencies (some of which does not appear in this Official Statement).

There is no assurance that these ratings will continue for any given period of time or that these ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the 2019A Bonds may have an adverse effect on the market price or marketability of the 2019A Bonds.

UNDERWRITING

Goldman Sachs & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Barclays Capital Inc. (collectively, the "**Underwriters**"), have agreed, subject to certain conditions, to purchase the 2019A Bonds from the City at a price of $_____ (which reflects $_____ in Underwriters' discount and $_____ in [net] original issue premium/discount) and to make a bona fide public offering of the 2019A Bonds at not in excess of the initial public offering prices. The Underwriters will be obligated to purchase all of the 2019A Bonds if any 2019A Bonds are purchased. The Underwriters may offer and sell the 2019A Bonds to certain dealers and others at prices lower than the respective initial public offering prices listed in this Official Statement, and the public offering prices may be changed from time to time by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

MUNICIPAL ADVISOR

The City has retained PFM Financial Advisors LLC, Los Angeles, California, as Municipal Advisor (the "**Municipal Advisor**") in connection with the issuance and delivery of the 2019A Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent Municipal Advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The payment of the fees of the Municipal Advisor is contingent upon the issuance and delivery of the 2019A Bonds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the holders and beneficial owners of the Series 2019A Bonds to provide certain financial information and operating data relating to the Electric System (the "**Annual Report**") by not later than 270 days following the end of the City's fiscal year (which fiscal year currently ends on June 30), commencing with the Annual Report for the fiscal year ended June 30, 2018, and to provide notices of the occurrence of certain enumerated events as required by Securities and Exchange Commission Rule 15c2-12(b)(5) under the Securities Exchange Act of 1934, as amended (the "**Rule**"). The specific nature of the information to be contained in the annual report or the notices of enumerated events is summarized under the caption "APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with the Rule.

The City and its related governmental entities – specifically those entities for whom City staff is responsible for undertaking compliance with continuing disclosure undertakings – have previously entered into numerous disclosure undertakings under the Rule in connection with the issuance of other obligations.

In the past, to assist the City and its related governmental entities in meeting their continuing disclosure obligations, the City retained certain corporate trust banks to act as dissemination agent. [The City and its related governmental entities have not, on a handful of occasions during the past five years, fully complied, in all material respects, with their disclosure undertakings because on certain occasions in the last five years, the City did not timely file (1) notice of rating changes to bond insurers and other credit and/or liquidity providers for City debt obligations, and (2) certain financial information or operating data for Fiscal Years 2012-13 and 2014-15 required to be filed with respect to debt obligations of the City or its related government entities.]

The City and its related governmental entities have made filings to correct all known instances of non-compliance during the last five years. The City believes that it has established internal processes, including a written continuing disclosure policy that will ensure that it and its related governmental entities will meet all material obligations under their respective continuing disclosure undertakings. The City also now handles its and its related governmental entities' continuing disclosure obligations internally and no longer uses third-party dissemination agents for that purpose. Additionally, the City has engaged a consultant to annually verify its continuing disclosure filings and identify any deficiencies, whether material or otherwise, so that any required corrective action can be taken.

VERIFICATION OF MATHEMATICAL ACCURACY

The Verification Agent will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to the Verification Agent on behalf of the City, relating to the sufficiency of the amounts deposited into the Escrow Fund, without interest earnings, to pay the relevant redemption price, together with accrued interest to the date of redemption, of the 2008D Bonds on April 1, 2019.

See “PLAN OF FINANCE.”

MISCELLANEOUS

The execution and delivery of this Official Statement have been duly authorized by the City.

CITY OF RIVERSIDE, CALIFORNIA

By: _____
Chief Financial Officer/Treasurer

By: _____
Public Utilities General Manager

APPENDIX A

CITY AND COUNTY OF RIVERSIDE - ECONOMIC AND DEMOGRAPHIC INFORMATION

The 2019A Bonds will not be secured by any pledge of ad valorem taxes or City General Fund revenues but will be payable solely from the Net Operating Revenues of the City's Electric System. The information set forth below is included in the Official Statement for background purposes only.

General

The City is the county seat of Riverside County (the "**County**") and is located in the western portion of the County about 60 miles east of downtown Los Angeles and approximately 90 miles north of San Diego. Within 10 miles of the City are the cities of San Bernardino, Loma Linda, Corona, Norco, Fontana, Ontario, Rialto, Colton, Moreno Valley and Redlands, among others. These cities and the City are located in the County and the County of San Bernardino and comprise the Riverside-San Bernardino Primary Metropolitan Statistical Area (the "**PMSA**"). The PMSA represents an important economic area of the State and of Southern California. It lies to the west and south, respectively, of the strategic San Gorgonio and Cajon Passes, from which three transcontinental railroads and interstate highways converge to connect the Los Angeles area with the other areas of the nation. The City is situated in close proximity to the metropolitan centers of Los Angeles and Orange Counties.

The County and the County of San Bernardino cover 27,400 square miles, a land area larger than the State of Virginia. As of 2018, the County had a population estimated at 2,415,955 and San Bernardino County had a population estimated at 2,174,938. With a population of over 4.4 million, the PMSA ranks as one of the largest Metropolitan Statistical Areas ("**MSAs**") in the United States. The County alone is larger than the State of New Jersey. The PMSA, though small geographically in relation to the bi-county area, contains most of the two counties' population.

Municipal Government

The City was incorporated in 1883 and covers 81.5 square miles. The City is a charter city and has a council-manager form of government with a seven-member council being elected by ward for four-year overlapping terms. The mayor is elected at large for a four-year term and is the presiding officer of the council, but does not have a vote except in case of a tie. The position of City Manager is filled by appointment of the council to serve as administrator of the staff and to carry out the policies of the council.

Functions of the City government are carried out by approximately 2,500 personnel. The City operates and maintains a sewer, water and electrical system. Other City services include diversified recreation programs, police, fire, airport, parks, a museum and libraries.

Services and Facilities

Public Safety and Welfare. The City provides law enforcement and fire protection services. The Police Department currently employs 350 sworn officers and the Fire Department employs 224 sworn fire fighters operating out of 14 fire stations. Other services provided by the

City include emergency medical aid, traffic safety maintenance, and building safety regulation and inspection.

Public Services. The City provides electric, water, sewer, refuse and transportation service to the City residents through municipal enterprises. The City also owns and operates a general aviation airport.

Public Works. Additional services include parkway and median maintenance improvements, refuse management, sewer and storm drain maintenance, zoning and development administration, environmental review, code enforcement and street tree maintenance.

Leisure and Community Services. Among the City's cultural institutions and activities are a convention center, the Riverside Art Museum, a Riverside Metropolitan Museum, a number of libraries, the Municipal Auditorium, the Fox Performing Arts Center, the opera society and the symphony society. There are three major hospitals in the City: Parkview Community, Riverside Community and Kaiser Permanente.

Population

As of January 1, 2018, the population of the City was estimated to be 325,850, an increase of approximately 0.8% over the estimated population of the City in 2017. The following table presents population data for both the City and County.

POPULATION

Year	*City of Riverside*	*Riverside County*
1950	46,764	170,046
1960	84,332	306,191
1970	140,089	459,074
1980	165,087	663,923
1990	226,505	1,170,413
2000	255,166	1,545,387
2010	302,597	2,179,692
2011	307,207	2,212,874
2012	311,332	2,239,715
2013	316,162	2,266,549
2014	318,511	2,291,093
2015	321,655	2,317,924
2016	324,696	2,347,828
2017	323,190	2,382,640
2018	325,860	2,415,955

Sources: 1950-2010 U.S. Census; 2011-2018 California Department of Finance (Demographic Research Unit).

Personal Income

The following table is based on personal income, as reported by the U.S. Department of Commerce Bureau of Economic Analysis. Personal income includes wages and salaries, other labor-related income, proprietor's income, rental income, dividends, personal interest income and transfer payments. Deductions are then made for federal, state and local taxes, non-tax payments (such as fines and penalties) and personal contributions for social insurance.

Between 2014 and 2017, the per capita personal income increased by approximately 19.98% in the City and by approximately 59.5% in the County. Between 2014 and 2017, the per capita personal income increased by approximately 16.98% in the State and by approximately 9.31% in the United States. The table below summarizes the total for the City, the County, the State and the United States for 2014 through 2017.

CITY OF RIVERSIDE, RIVERSIDE COUNTY, STATE OF CALIFORNIA AND UNITED STATES
PERSONAL INCOME
(For Calendar Years 2014 Through 2017)

Year	Area	Total Personal Income (in Thousands)	Per Capita Personal Income
2014	City of Riverside	$5,265,573	$44,724
	Riverside County	78,852,989	33,867
	California	1,977,923,740	50,988
	United States	14,801,624,000	46,414
2015	City of Riverside	$5,877,205	$47,791
	Riverside County	84,025,987	35,589
	California	2,103,669,473	53,741
	United States	15,463,981,000	48,112
2016	City of Riverside	$6,044,091	$49,179
	Riverside County	47,509,909	50,287
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2017	City of Riverside	$6,556,518	$53,659
	Riverside County	51,784,973	54,014
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Education

The City is included within the boundaries of the Riverside Unified School District and the Alvord Unified School District, which also serves the County area southwest of the City. These two districts include 65 elementary and middle schools and high schools. There are also about 48 private or parochial schools for kindergarten through twelfth grade. Higher education is available at four institutions: Riverside Community College, University of California at Riverside, California Baptist University and La Sierra University at Riverside. Also located in the City are the California School for the Deaf and the Sherman Indian High School, a federally-run school for Native Americans.

Employment

The City is included in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA). The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 4.5 percent in August 2018, down from a revised 4.6 percent in July 2018. This compares with an unadjusted unemployment rate of 4.3 percent for California and 3.9 percent for the nation during the same period. The unemployment rate was 4.7 percent in Riverside County, and 4.2 percent in San Bernardino County.

The following table shows the average annual estimated numbers of wage and salary workers by industry. The table does not include proprietors, the self-employed, unpaid volunteers or family workers, domestic workers in households, and persons in labor management disputes.

RIVERSIDE-SAN BERNARDINO PRIMARY MSA
CIVILIAN LABOR FORCE EMPLOYMENT AND UNEMPLOYMENT (ANNUAL AVERAGES)
(For Calendar Years 2013 Through 2017)

	2013	2014	2015	2016	2017
Civilian Labor Force[1]	1,893,100	1,921,000	1,956,900	1,984,900	2,022,100
Employment	1,706,800	1,765,300	1,828,200	1,866,600	1,918,600
Unemployment	186,300	155,700	128,600	118,300	103,600
Unemployment Rate	9.8%	8.1%	6.6%	6.0%	5.1%
Wage and Salary Employment:[2]					
Agriculture	14,500	14,400	14,800	14,600	14,400
Mining and Logging	71,200	78,900	86,900	92,900	98,000
Construction	87,300	91,300	96,100	98,600	98,700
Manufacturing	56,400	58,900	61,600	62,800	63,700
Wholesale Trade	164,800	169,400	174,300	178,000	182,100
Retail Trade	78,500	86,600	97,400	107,300	120,200
Transportation, Warehousing and Utilities	11,500	11,300	11,400	11,500	11,300
Information	26,200	26,600	26,900	26,700	26,200
Finance and Insurance	15,600	16,300	17,000	17,900	18,200
Real Estate and Rental and Leasing	131,900	138,700	147,400	145,000	147,200
Professional and Business Services	187,600	194,800	205,100	214,300	224,800
Educational and Health Services	135,900	144,800	151,700	160,200	165,700
Leisure and Hospitality	41,100	43,000	44,000	44,600	45,600
Other Services	20,300	20,200	20,300	20,400	20,600
Federal Government	27,800	28,200	28,700	29,700	30,700
State Government	177,100	180,400	184,400	192,200	198,600
Local Government	1,247,800	1,303,700	1,367,900	1,416,600	1,466,000
Total All Industries	1,893,100	1,921,000	1,956,900	1,984,900	2,022,100

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: State of California Employment Development Department.

The following tables show the largest employers in the City and in the County.

CITY OF RIVERSIDE – LARGEST EMPLOYERS
As of June 30, 2018

Employer Name	Number of Employees	% of Total City-wide Employment
County of Riverside	11,865	8.1%
University of California	8,686	6.0
Riverside Unified School District	4,000	2.7
Kaiser	3,484	2.4
City of Riverside	2,504	1.7
California Baptist University	2,285	1.6
Riverside Community Hospital	2,200	1.5
Alvord Unified School District	1,800	1.2
UTC Aerospace Systems	1,200	0.8
Parkview Community Hospital	897	0.6
Total	38,921	26.7%

Source: City of Riverside (as presented in the City's 2018 Comprehensive Annual Financial Report).

COUNTY OF RIVERSIDE – LARGEST EMPLOYERS
(LISTED ALPHABETICALLY)
As of September 2018

Employer Name	Location	Industry
Amazon Fulfillment Ctr	Moreno Valley	Distribution Centers (whls)
Corrections Dept	Norco	Government Offices-State
Desert Regional Medical Ctr	Palm Springs	Hospitals
EisenhowerHealth	Rancho Mirage	Hospitals
Fantasy Springs Resort Casino	Indio	Casinos
Ferrellgas	Beaumont	Gas-Propane-Refilling Stations
Ferrellgas	Thermal	Gas-Propane-Refilling Stations
Ferrellgas	Perris	Gas-Propane-Refilling Stations
Ferrellgas	Idyllwild	Gas-Propane-Refilling Stations
Hemet Valley Medical Ctr	Hemet	Hospitals
Indio Bingo Palace & Casino	Indio	Resorts
Kleinfelder Construction Svc	Riverside	Engineers-Structural
La Quinta Golf Course	La Quinta	Golf Courses
La Quinta Resrt-Club A Waldorf	La Quinta	Resorts
Pechanga Resort & Casino	Temecula	Casinos
Riverside Community Hospital	Riverside	Hospitals
Riverside University Health	Moreno Valley	Hospitals
Robertsons	Corona	Concrete-Ready Mixed
Southwest Healthcare System	Murrieta	Hospitals
Starcrest of California	Perris	Internet & Catalog Shopping
Starcrest Products	Perris	Gift Shops
Sun World Intl LLC	Coachella	Fruits & Vegetables-Wholesale
Universal Protection Svc	Palm Desert	Security Guard & Patrol Service
US Air Force Dept	March Arb	Military Bases
Wachter Inc	Riverside	Electric Contractors

Source: California Employment Development Dept., America's Labor Market Information System (ALMIS) Employer Database, 2018 2nd Edition.

Construction Activity

The following tables provide a summary of residential building permit valuations and nonresidential building permit valuations, and the total number of all building permit valuations in the City and the County during the past five years for which information is available.

CITY OF RIVERSIDE
BUILDING PERMIT ACTIVITY
For Calendar Years 2013 Through 2017
(Valuation in Thousands of Dollars)

	2013	2014	2015	2016	2017
Permit Valuation					
New Single-family	$ 50,863	$ 61,311	$ 53,858	$ 48,459	$ 46,666
New Multi-family	19,861	9,418	41,207	19,428	53,944
Res. Alterations/Additions	8,710	10,291	11,870	12,335	19,471
Total Residential	$ 79,434	$ 81,020	$ 106,935	$ 80,222	$120,080
New Commercial/Industrial	$ 41,505	$ 14,206	$ 19,856	$ 23,804	$ 97,799
New Other	11,677	2,914	11,334	78,523	14,861
Com. Alterations/Additions	74,249	45,548	51,812	67,779	49,539
Total Nonresidential	$127,433	$ 62,668	$ 83,002	$170,106	$162,198
New Dwelling Units					
Single Family	200	144	223	219	172
Multiple Family	219	155	411	254	535
TOTAL	419	299	634	473	707

Source: City of Riverside Community Development Department.

COUNTY OF RIVERSIDE
BUILDING PERMIT ACTIVITY
For Calendar Years 2013 Through 2017
(Valuation in Thousands of Dollars)

	2013	2014	2015	2016	2017
Permit Valuation					
New Single-family	$1,138,739	$1,296,553	$1,313,085	$1,526,768	$1,670,542
New Multi-family	138,636	178,117	110,459	106,292	109,309
Res. Alterations/Additions	98,220	147,082	113,200	126,475	123,567
Total Residential	$1,375,594	$1,621,751	$1,536,743	$1,759,535	$1,903,418
New Commercial/Industrial	$405,023	$358,997	$392,308	$642,463	$965,629
New Other	141,185	128,667	204,555	583,003	104,352
Com. Alterations/Additions	369,503	197,675	314,605	371,217	363,712
Total Nonresidential	$884,320	$685,338	$911,645	$1,596,682	$1,433,691
New Dwelling Units					
Single Family	4,716	5,007	5,007	5,662	6,265
Multiple Family	1,427	1,931	1,189	1,039	1,070
TOTAL	6,143	6,938	6,196	6,701	7,335

Source: Construction Industry Research Board, Building Permit Summary.

Transportation

The City is served by a variety of land and air transportation facilities. Light rail commuter service is provided by Metrolink to Los Angeles and Orange Counties. Interstate bus service is available via Greyhound, and local bus service is provided by the Riverside Transit Agency. Most major trucking firms serve the City in addition to numerous local carriers. Overnight delivery can be scheduled to San Francisco, Los Angeles, San Diego and Sacramento.

Freight rail service to the City is provided by two major transcontinental railroads: the Santa Fe and Union Pacific. Amtrak-operated passenger train service is available at San Bernardino, approximately 15 miles north of the City.

Scheduled air transportation is available from the Ontario International Airport, approximately 18 miles to the west. The City-operated Riverside Municipal Airport is a general aviation facility.

The City is served by the Riverside Freeway (State Route 91), which provides access to Orange County; Interstate 215, which connects the City to San Diego, San Bernardino and points beyond; and the Pomona Freeway (U.S. Highway 60), an east-west route.

To support transportation improvements, in November 1988 Riverside County voters approved Measure A, a one-half cent sales tax increase. Measure A was to expire in 2009, but in 2002, Riverside County voters approved extending Measure A until 2039. Measure A is expected to generate $4.6 billion between 2009 and 2039. In 1990, voters of the adjacent San Bernardino County approved a similar program, and that sales tax was similarly increased by a vote of the electorate in November 2003.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE CITY OF RIVERSIDE ELECTRIC UTILITY FOR THE FISCAL YEAR ENDED JUNE 30, 2018

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") dated _____, 2019 is executed and delivered by the City of Riverside (the "Issuer") in connection with the issuance and delivery of $_____ City of Riverside Refunding Electric Revenue Bonds, Issue of 2019A (the "Bonds"). The Bonds are being issued pursuant to Resolution No. 17662 of the Issuer, adopted by the City Council on January 8, 1991, as amended and supplemented, including as supplemented by Resolution No. _____, adopted by the City Council on _____, 2019 (collectively, the "Resolution").

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Disclosure Representative" shall mean the City Manager, Treasurer or Chief Financial Officer of the Issuer or either of their designees, or such other officer or employee as the Issuer shall designate in writing from time to time.

"Dissemination Agent" shall mean, initially, the Issuer, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designed in writing by the Issuer and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

''EMMA'' shall mean the Electronic Municipal Market Access system of the MSRB.

"Listed Events" shall mean any of the events listed in Section 5 of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

"Official Statement" means the Official Statement relating to the Bonds dated _____, 2019.

''Participating Underwriter" shall mean each of Goldman Sachs & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Barclays Capital Inc., as an original underwriter of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent upon written direction to, not later than 270 days following the end of the Issuer's fiscal year (which presently ends on June 30), commencing with the report for the fiscal year ending June 30, 2018, provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate; provided, however, that the report required for the fiscal year ending June 30, 2018, shall be satisfied by providing the Official Statement to the MSRB. The Annual Report shall be provided to the MSRB in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

The Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The Issuer's fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The Issuer will promptly notify the MSRB and the Dissemination Agent (if other than the Issuer) of a change in the fiscal year dates. The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Issuer and shall have no duty or obligation to review such Annual Report.

(b) If the Dissemination Agent is a person or entity other than the Issuer then, not later than fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in compliance with subsection (a). If the Issuer does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report due date, the Issuer shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB, in the form required by the MSRB.

(d) The Dissemination Agent shall:

(i) confirm the electronic filing requirements of the MSRB for the Annual Reports; and

(ii) promptly after receipt of the Annual Report, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure

Certificate, stating the date it was provided the MSRB. The Dissemination Agent's duties under this clause (ii) shall exist only if the Issuer provides the Annual Report to the Dissemination Agent for filing.

(e) Notwithstanding any other provision of this Disclosure Certificate, all filings shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer's Electric System for the most recent fiscal year of the Issuer then ended, which may be a part of the Issuer's audited financial statements. If the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the Issuer's Electric System in a format similar to the financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements, if any, of the Issuer's Electric System shall be audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited financial statements shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the Issuer may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the Issuer shall modify the basis upon which its financial statements are prepared, the Issuer shall provide a notice of such modification to the MSRB, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) To the extent not included in the audited financial statements of the Issuer's Electric System, the Annual Report shall also include the following:

(1) The audited financial statements of the Electric System for the most recently completed fiscal year, prepared in accordance with GAAP.

(2) Principal amount of the Bonds outstanding as of the end of the immediately preceding Fiscal Year.

(3) Updated information comparable to the information in Table 3 entitled "Annual Electricity Supply" as it appears in the Official Statement.

(4) Updated information comparable to the information in Table 4 entitled "Total Energy Generated and Purchased and Peak Demand" as it appears in the Official Statement.

(5) Updated information comparable to the information in Table 6 entitled "Number of Meters" as it appears in the Official Statement.

(6) Updated information comparable to the information in Table 7 entitled "Energy Sold" as it appears in the Official Statement.

(7) Updated information comparable to the information in Table 9 entitled "Average Billing Price" as it appears in the Official Statement.

(8) Updated information comparable to the information in Table 11 entitled "Outstanding Debt of Joint Powers Agencies" as it appears in the Official Statement.

(9) Updated information comparable to the information in Table 12 entitled "Summary of Operations and Debt Service Coverage" as it appears in the Official Statement.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) business days after the event:

(1) principal and interest payment delinquencies;

(2) unscheduled draws on debt service reserves reflecting financial difficulties;

(3) unscheduled draws on credit enhancements reflecting financial difficulties;

(4) substitution of credit or liquidity providers, or their failure to perform;

(5) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determinations of taxability or of the Notice of Proposed Issue (IRS Form 5701-TEB);

(6) tender offers;

(7) defeasances;

(8) ratings changes;

(9) bankruptcy, insolvency, receivership or similar proceedings; and

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or

federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

[(10) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.]

(b) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) unless described in paragraph 5(a)(5), notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(2) the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(3) appointment of a successor or additional trustee or the change of the name of a trustee;

(4) nonpayment related defaults;

(5) modifications to the rights of Owners of the Bonds;

(6) notices of redemption;

(7) release, substitution or sale of property securing repayment of the Bonds; and

[(8) incurrence of a financial obligation of the issuer or obligated person or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders.]

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in subsection (b), the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Issuer shall

file a notice of such occurrence with EMMA in a timely manner not more than ten (10) business days after the event.

(e) The Issuer hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the Issuer and that the Dissemination Agent shall not be responsible for determining whether the Issuer's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(7) and (b)(6) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Resolution. In each case of the Listed Event, the Dissemination Agent shall not be obligated to file a notice as required in this subsection (f) prior to the occurrence of such Listed Event.

(g) Any of the filings required to be made under this Section 5 shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

[(h) As used in this Section 5, the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.]

SECTION 6. Termination of Reporting Obligation. The obligation of the Issuer and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Issuer. The Dissemination Agent may resign by providing thirty days written notice to the Issuer and the Fiscal Agent. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Issuer. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Issuer in a timely manner and in a form suitable for filing.

SECTION 8. Amendment.

(a) This Disclosure Certificate may be amended, in writing, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account

any amendments or interpretations of the Rule, as well as any change in circumstances, (3) there shall have been delivered to the Issuer an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the same effect as set forth in clause (2) above, (4) the Issuer shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the Owners, and (5) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

(b) This Disclosure Certificate may be amended in writing with respect to the Bonds, upon obtaining consent of Owners at least 25% in aggregate principal of the Bonds then outstanding; provided that the conditions set forth in Section 8(a)(1), (2) and (3) have been satisfied; and provided, further, that the Dissemination Agent shall be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder.

(c) To the extent any amendment to this Disclosure Certificate results in a change in the type of financial information or operating data provided pursuant to this Disclosure Certificate, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice if occurrence of a Listed Event.

The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

SECTION 10. Default. In the event the Issuer fails to comply with any provision in this Disclosure Certificate, the Dissemination Agent may (or shall upon direction of the Owners of 25% in aggregate principal of the Bonds then outstanding or the Participating Underwriter) take all action necessary to cause the Issuer to comply with this Disclosure Certificate. In the event of a failure of the Dissemination Agent to comply with any provision of this Disclosure Certificate, any Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the

Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. If the Dissemination Agent is a person or entity other than the Issuer, this Section 11 shall apply. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Bond Owner's, or any other party. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent hereunder, seeking any remedy other than to compel specific performance of this Disclosure Certificate. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Certificate.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

Disclosure Representative: City of Riverside
3900 Main Street
Riverside, California 92501

CITY OF RIVERSIDE

By: _____
Chief Financial Officer/Treasurer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Riverside

Name of Issue: Refunding Electric Revenue Bonds, Issue of 2019A

Date of Issuance: _____, 2019

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated _____, 2019. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION

Upon issuance of the 2019A Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

February __, 2019

City of Riverside
Riverside, California

Re: $_____ City of Riverside Refunding Electric Revenue Bonds, Issue of 2019A

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the City of Riverside, California (the "City") of the $_____ aggregate principal amount of the City's Refunding Electric Revenue Bonds, Issue of 2019 (the "Bonds"). The Bonds are being issued pursuant to the Charter of the City (the "Charter"), Ordinance No. 5001 adopted by the City Council on April 20, 1982, as amended (the "Ordinance"), and Resolution No. 17662 adopted by the City Council on January 8, 1991, as amended and supplemented, including as amended and supplemented by Resolution No. ____ adopted by the City Council on January 22, 2019 (collectively, the "Resolution").

In rendering the opinions set forth below, we have examined the Constitution and statutes of the State of California, the Charter, the Ordinance and the Resolution, certified copies of the proceedings of the City, and other information submitted to us relative to the issuance and sale by the City of the Bonds. We have examined originals, or copies identified to our satisfaction as being true copies of the Charter, the Ordinance, the Resolution and the Tax Certificate relating to the Bonds, opinions of counsel to the City, certificates of the City and others, and such other documents, agreements, opinions and matters as we have considered necessary or appropriate under the circumstances to render the opinions set forth herein.

In connection with our representation we have examined a certified copy of the proceedings relating to the Bonds. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigations.

Based upon the foregoing and after examination of such questions of law as we have deemed relevant in the circumstances, but subject to the limitations set forth in the Resolution, we are of the opinion that:

1. The Bonds constitute the valid and binding special revenue obligations of the City.

2. The Resolution was duly adopted at meetings of the City Council of the City.

3. The Bonds are special limited obligations of the City payable from and secured by a pledge of and lien and charge upon the Net Operating Revenues and certain amounts held under the Resolution. The general fund of the City is not liable for the payment of the Bonds, any premium thereon upon redemption prior to maturity or their interest, nor is the credit or taxing power of the City pledged for the payment of the Bonds, any premium thereon upon redemption prior to maturity or their interest.

4. Other Parity Debt of the City has been and may from time to time hereafter be issued under the Resolution which is payable from Net Operating Revenues on a parity basis with the Bonds.

5. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in the Resolution, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

6. Interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

7. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of a Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and is exempt from State of California personal income tax.

8. The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the City and others and are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income for federal income tax purposes of interest (and original issue discount) with respect to the Bonds if any such action is taken or omitted based upon the opinion or advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Resolution and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

Our opinion is limited to maters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company, New York, New York ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the bonds described in this Official Statement (the "Bonds"), payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the "Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. DTC will act as securities depository for the Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is

a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated "AA+" by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's

MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal, redemption price and interest payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. If applicable, a Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to tender/remarketing agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to tender/remarketing agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to tender/remarketing agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Issuer or the Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.