CITY OF RIVERSIDE
PUBLIC UTILITIES DEPARTMENT

ANNUAL REPORT 1988

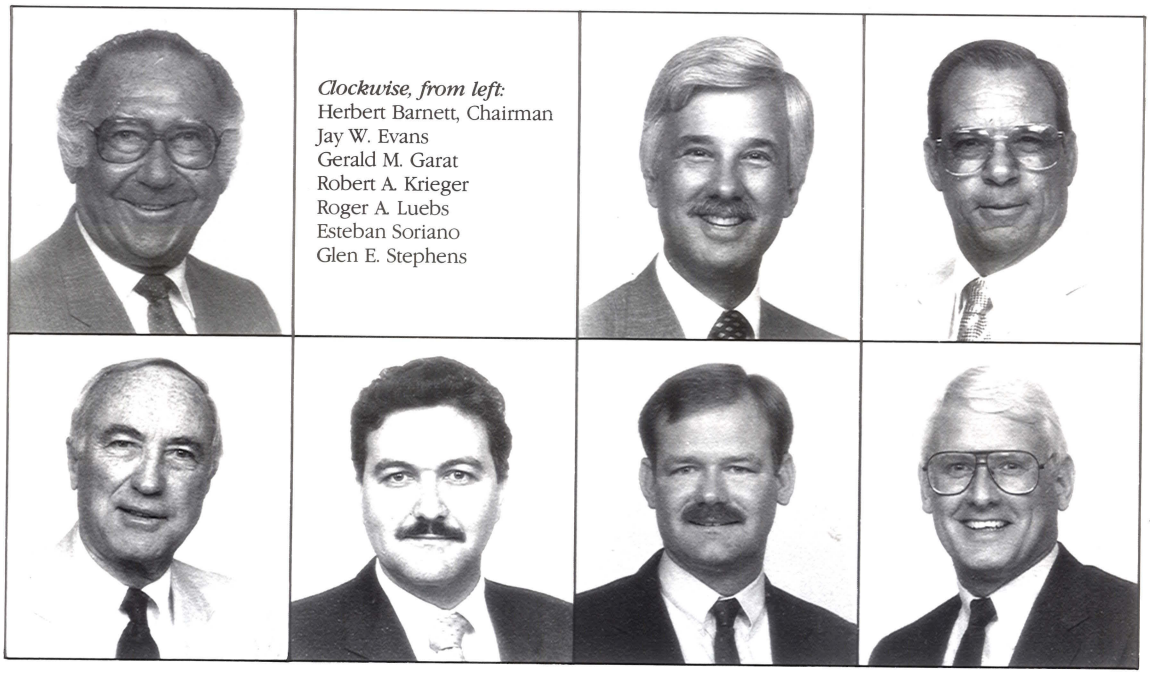
Mission Statement
of the Riverside Public Utilities

To provide water and electric service

to the people of Riverside

in a safe, reliable, environmentally sensitive and fiscally responsible manner that furthers the goals of the city.

BOARD OF PUBLIC UTILITIES



Clockwise, from left:
Herbert Barnett, Chairman
Jay W. Evans
Gerald M. Garat
Robert A. Krieger
Roger A. Luebs
Esteban Soriano
Glen E. Stephens

1987 - 1988
FISCAL YEAR HIGHLIGHTS

	ELECTRIC		WATER	
	Year ended June 30		Year ended June 30	
OPERATIONS	**1988**	**1987**	**1988**	**1987**
Production	1,341 million kilowatt-hours	1,258 million kilowatt-hours	61,040 Acre Feet	60,749 Acre Feet
System peak requirements	317,600 kilowatts	292,000 kilowatts	91 Million Gallons	86 Million Gallons
Average number of customers	83,000	80,000	57,000	56,000
FINANCIAL (in thousands)				
Revenues from sale of electricity and water*	$123,893	$115,358	$16,437	$16,337
Net income	$ 5,700	$ 9,104	$ 976	$ 1,036
Transferred to City of Riverside General Fund	$ 6,446	$ 6,052	$ 1,814	$ 1,763

**Amounts represent revenues derived solely from billings.*

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

Public Utilities Director's Report

The theme of this year's report is the Mission Statement of the Utilities. We remain committed more than ever to the mandate contained in the Statement: *"To provide water and electric service to the people of Riverside in a safe, reliable, environmentally sensitive and fiscally responsible manner that furthers the goals of the city."* The City Council and City Manager continue to provide support for the Utilities' activities. The Board of Public Utilities continues to provide dedicated and responsible guidance for the Utilities. The staff continues to perform in the highest tradition of "public power" by providing services that go well beyond what is expected. They are truly dedicated to their jobs of providing the quality of service that the customers want. The success of the Utilities is due to their efforts, and I thank them.

Last year's trend continued with Riverside being one of the fastest growing metropolitan areas in the United States. Electric demand grew by over 8.8 percent while energy sales increased by 6.6 percent. Water production was at an all time high with over 20 billion gallons sold, and the system peak day requirement of 91 million gallons was up 5.8 percent over the previous year.

While all of this growth presents challenges, the Utility was able to meet all of the demands while keeping rates stable. Water rates have not increased since 1983 and electric rates have not increased since 1984. Water and electric rates, as well as fees, remained competitive with comparable communities nearby.

The ability to meet the needs of all of this new growth has been the result of sound, long-range planning for both the water and electric utilities. A few years ago Riverside was almost totally dependent on purchases of power from the Southern California Edison Company (SCE). However, over the last few years Riverside has developed its own power supplies, usually as a participant in large projects, such that last year less than 10 percent of our power supplies were purchased from SCE. On the water side, production from city-owned wells continues to provide approximately 95 percent of the water needs for Riverside.

Both utilities have embarked on an ambitious capital construction program for local facilities to keep pace with the growth, and upgrade older parts of the system. The water utility will be spending in excess of $67 million in the next six years, based on the recommendations contained in the Water Supply Study and the Water Master Plan. The majority of the expenditures will be the construction of several storage reservoirs and the rehabilitation and drilling of new production wells. The electric utility plans to spend $56 million for the construction of new substations, transmission and distribution lines. Throughout this period, rate increases for both utilities are expected to remain below the rate of inflation.

During fiscal year 1987-88, the electric system installed distribution lines and services for nearly 2,400 new residential and commercial/industrial customers. Service territory acquisitions from Southern California Edison Company, as a result of annexations, amounted to over 1,600 acres.

The water system installed about 2.5 miles of transmission pipelines and another eight miles of new water mains within new subdivisions during the past year. A total of 960 domestic and commercial/industrial services were installed.

The past year found much of California in a critical water situation due to the drought. The City of Riverside was among the fortunate by having adequate, high quality water supply pumped from its own wells. Only about 5 percent of the total water needs came from outside purchases, and those were used only during the high water use periods.

The challenges ahead will relate to meeting the future needs of the community. Several power supply alternatives are under consideration and range from participation in large coal fired power plants to joint ownership of regional transmission lines to facilitate purchases from outside the region. Water quality will be the greatest challenge facing the water utility. Studies have shown that we have ample supplies of water within our production area, provided the quality of the water remains acceptable. It is not a matter of IF we will maintain the high quality of the water but HOW we will do it. The Utility is committed to protecting this valuable resource for the benefit of the future generations of Riverside residents.

Power Supply

Fiscal year 1987-88 continued to reflect Riverside's vigorous and dynamic efforts to achieve an optimum, economic power supply mix in concert with its long term contract with Southern California Edison.

This fiscal year represented the first full year of operation of most of the power supply resources developed over the last few years. With the commercial operation of Palo Verde Nuclear Generating Station Unit 3, Riverside now has integrated resources totaling 175 megawatts (MW). After allowance for losses and reserve contributions per agreements with Edison, Riverside receives a "capacity credit" of 130 MW on these resources. The continued strong growth in Riverside was reflected in an 8.8 percent growth in system peak to 317,600 kilowatts (kW). Riverside provided over 55 percent of this capacity requirement.

Total energy delivered for City load was 1,341 million kilowatt-hours (kWh), an increase of 6.6 percent over the 1987 system requirements.

Agreements with Azusa, Banning and Colton

A major event during the year involved implementing a Scheduling and Dispatching Agreement with the cities of Azusa, Banning, and Colton. Under this agreement, Riverside manages and schedules operation of the three cities' power supply resources and purchases energy on the open market to offset more expensive energy purchases from Southern California Edison. In return for such services, the cities pay a pro rata share of Riverside's costs for maintaining, staffing, and operating its power supply operations section. The program has proven to be very beneficial to the three cities and Riverside has received over $150,000 to offset associated operating expenses. Everyone is extremely satisfied with the results of this agreement and the three cities and Riverside are exploring methods to expand the concepts and services covered by the agreement.

Western System Power Pool (WSPP)

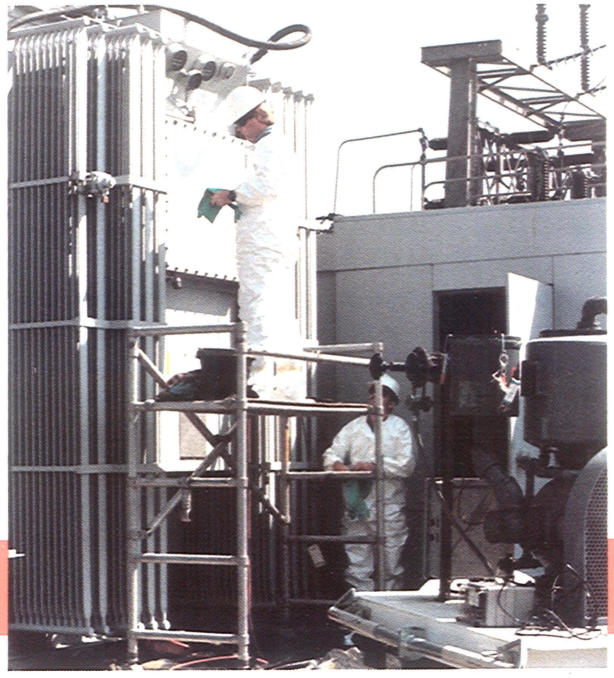
The City, on its own behalf, and acting as agent for the cities of Azusa, Banning and Colton, joined the Western System Power Pool (WSPP). The WSPP is an experiment in flexible pricing of coordination and transmission services. The number of participants has grown to 24 and includes public and private utilities from Texas to the state of Washington. Participation by Riverside has been very productive as it has opened new transmission paths for the utility, enhanced information flow through an electronic bulletin board for buy/sell offers, and has increased Riverside's ability to deal in the energy marketplace.

"To provide water and electric service . . ."

Market Energy Transactions

The Power Supply Resources Management Group was organized in 1986-87. By utilizing the WSPP system and other short-term transactions, the Group achieved savings for Riverside in excess of $2.4 million compared to normal purchases under the Edison agreement.

The Group was also able to sell 289 million kWh of energy for a net revenue gain of $557,000 to the utility.



Looking Ahead

Recognizing the need for continued success in meeting its goal to serve future energy needs of the City, Riverside continues to plan and develop new power supply resources.

The Power Resource Group is in negotiation with a number of western states utilities to obtain the most economical power supply contracts for the longest possible term. The Utilities is involved in joint planning and development of high voltage transmission lines to transport power from existing and future generating sources into southern California. This includes generating stations under development and those expected to be developed near the extensive fuel reserves of the Rocky Mountain Region and from Hydroelectric Generation sources in the Pacific northwest and southern Canada.

The Riverside Transmission Projects Map on Page 11, shows the locations of current transmission projects in which Riverside is participating. Also shown are the generating stations currently supplying power to Riverside.

Another project in which Riverside is participating, is the proposed White Pine Power Project, a coal-fired generating station, located in north eastern Nevada. It is planned to supply power in the late 1990's.

Riverside, together with Anaheim, Azusa, Banning and Colton, is pursuing new options for development of additional generation resources to supply peaking capacity needed for load periods.

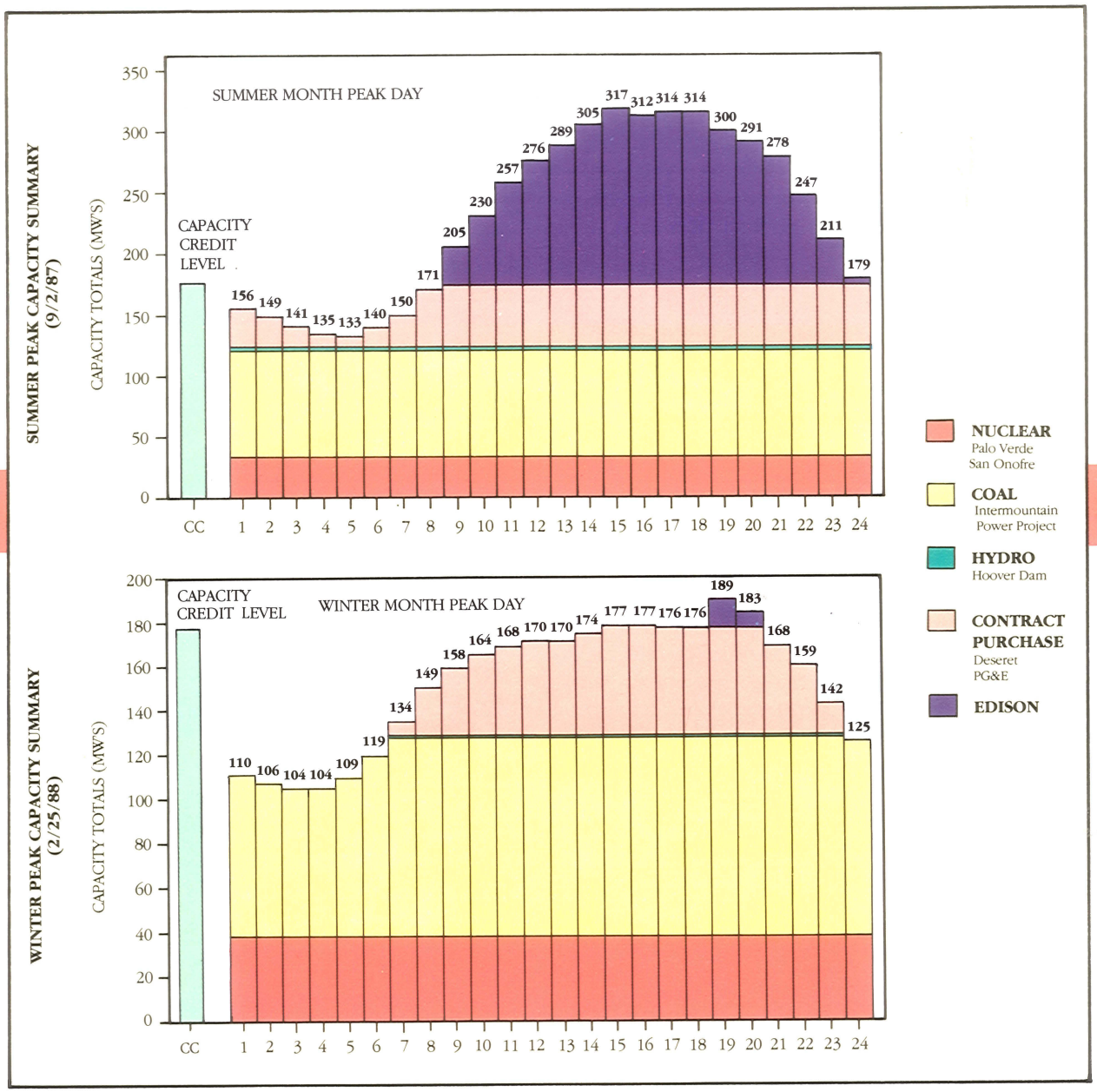
System Construction

New Services

Riverside is expected to continue as one of the nation's fastest growing metropolitan areas in the Southwest, with a projected population increase of about 2.25 percent annually, to 235,500(1) by the year 2000. During the 1987-88 fiscal year, the Utilities installed distribution line extensions and services for nearly 2,000 new residential and 380 new commercial/industrial customers. This included the installation of approximately four circuit miles of overhead, 30 miles of underground distribution lines and 260 new distribution transformers.

Also, during the fiscal year, Riverside acquired the service territory for four separate areas from Southern California Edison totaling over 1,600 acres. Included in the acquired service areas was Orangecrest. Orangecrest, located in the southeastern area of Riverside, is developing rapidly with over 4,000 homes scheduled to be built during the next few years.

(1) State Department of Finance Estimates, "Population Estimates and Projections" and City of Riverside Planning Department, August 1988.



Substations

Transformer additions were completed at the existing Hunter and Freeman Substations in time to meet the 1988 summer peak. In addition, higher current interrupting capacity circuit breakers were installed in the Riverside, Hunter, Freeman and Lynn Substations.

Area Conversions

Conversion of areas in the city from 4 kilovolt (kV) primary distribution to the more efficient 12 kV continued. Conversions this year were concentrated in the Arlington, Anza and Magnolia areas. Over seven miles of overhead and four miles of underground lines were converted.

Engineering

Early in 1988, a Distribution Planning and Analysis (DPA) System was brought on line in the Electrical Engineering Division to determine distribution system needs, efficiently plan future construction and maximize use of existing facilities. The DPA System is a computer program that allows the Utility to accurately model the distribution system, and analyze many different alternative configurations for efficiency and reliability.

Looking Ahead

During the next fiscal year, major efforts will be directed towards constructing two new substations (69/12kV), one in the Orangecrest area and one in the Canyon Springs area. Most of the site acquisition work was completed this year, as well as, engineering and ordering the major equipment. To supply the substation, a transmission line (69kV) from La Colina Substation to the proposed Springs and Orangecrest Substations will be built. Completion of these projects is scheduled for early 1990. Further into the future, the current five-year Capital Improvement Program includes funds for a transformer (69/12kV) addition at the Mountain View Substation, a new substation (69/12kV) to serve the expanding loads at the University of California, Riverside (UCR), and an aggressive 4kV to 12kV conversion plan to improve the distribution system and increase efficiency.

Customer Service

Fiscal year 1987-88 was an eventful year in terms of change for Customer Service.

During the fiscal year, Customer Service had a significant increase in the number of incoming telephone calls. Approximately 150,000 calls were received — a 16 percent increase in calls received over the previous year.

Customer Service's Field Operations also experienced an increase over the prior year of about 75 percent in both the electric (990,000) and water (690,000) readings.

With the increase in customer traffic, it became apparent the present location on the main floor of the City Hall was no longer adequate to serve the needs of the Service. A search for a new location began, resulting in the lease of a nearby vacated bank building. Renovation plans began for the building, located at 3601 University Avenue. The new location will also house the Utilities' Power Resource Operations. Occupancy is planned for early 1989. It is projected that this location will serve the needs of Customer Service for about the next five years.

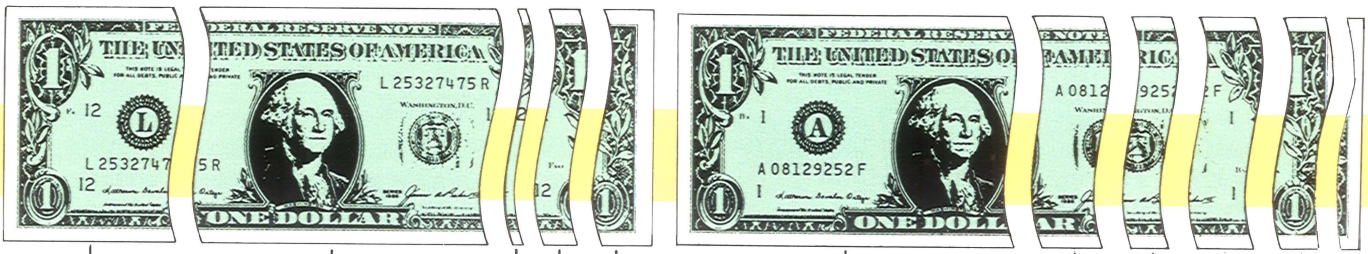
Looking Ahead

In fiscal year 1989-90, a new time-saving feature for Customer Services will be the implementation of a hand-held electronic meter reading system. These devices will ensure more speed and accuracy in the meter reading process. Pertinent information and customer histories can be stored which will help eliminate errors. The device will automatically down-load into the City's computer system and allow for speedier billings. This in turn will improve cash flow.

Another new program to be initiated during the new fiscal year, will be the Customer Information System. This System will enable an increase in productivity through the automation of each customer's account. This will eliminate time-consuming form processing and, subsequently, free Customer Service personnel for higher quality customer assistance.

Customer Service is committed to provide the most efficient service possible to the customer.

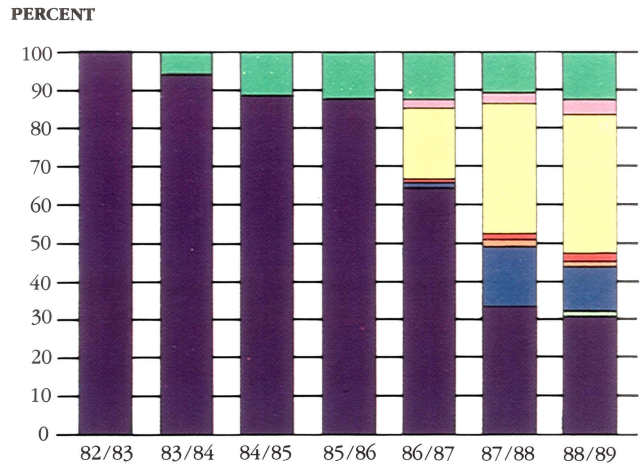
THE 1987-88 ELECTRIC DOLLAR



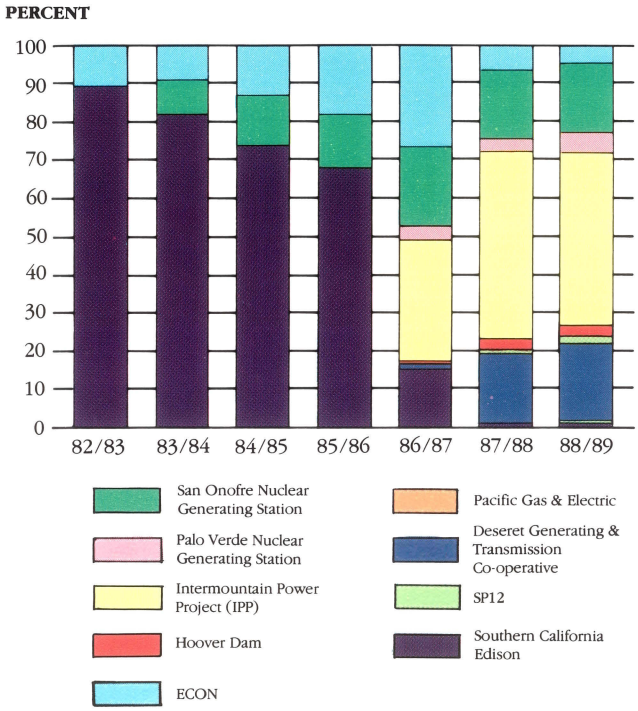
SOURCE OF REVENUE
33¢ Residential Sales
57¢ Commercial & Industrial Sales
1¢ Other Sales
5¢ Other Revenue
4¢ Sales for Resale

DISTRIBUTION OF REVENUE
63¢ Purchased Power Supply
13¢ Operation & Maintenance
5¢ Transfer to City General Fund
10¢ Debt Service
8¢ Available for Additions & Replacements to the System
1¢ Fuel Used for Generation

RIVERSIDE ELECTRIC CAPACITY REQUIREMENTS & SUPPLY SOURCES



RIVERSIDE ELECTRIC ENERGY REQUIREMENTS & SUPPLY SOURCES



Education and Information

Resource Efficiency and Conservation Programs

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

Two cost effective operating procedures affecting both power and water resources, are the off-peak water pumping program and the thermal energy storage system for the City Hall building which utilizes electricity during the low-cost, off-peak periods to meet the daytime cooling and heating needs.

Customer-oriented programs are offered to assist them in more efficient use of energy and water. One such program is the Swimming Pool Pump Credit Program, a load management program for customers. This program has been in operation since 1977, and offers a monthly incentive for pool owners to operate the swimming pool pump on off-peak hours. There are approximately two-

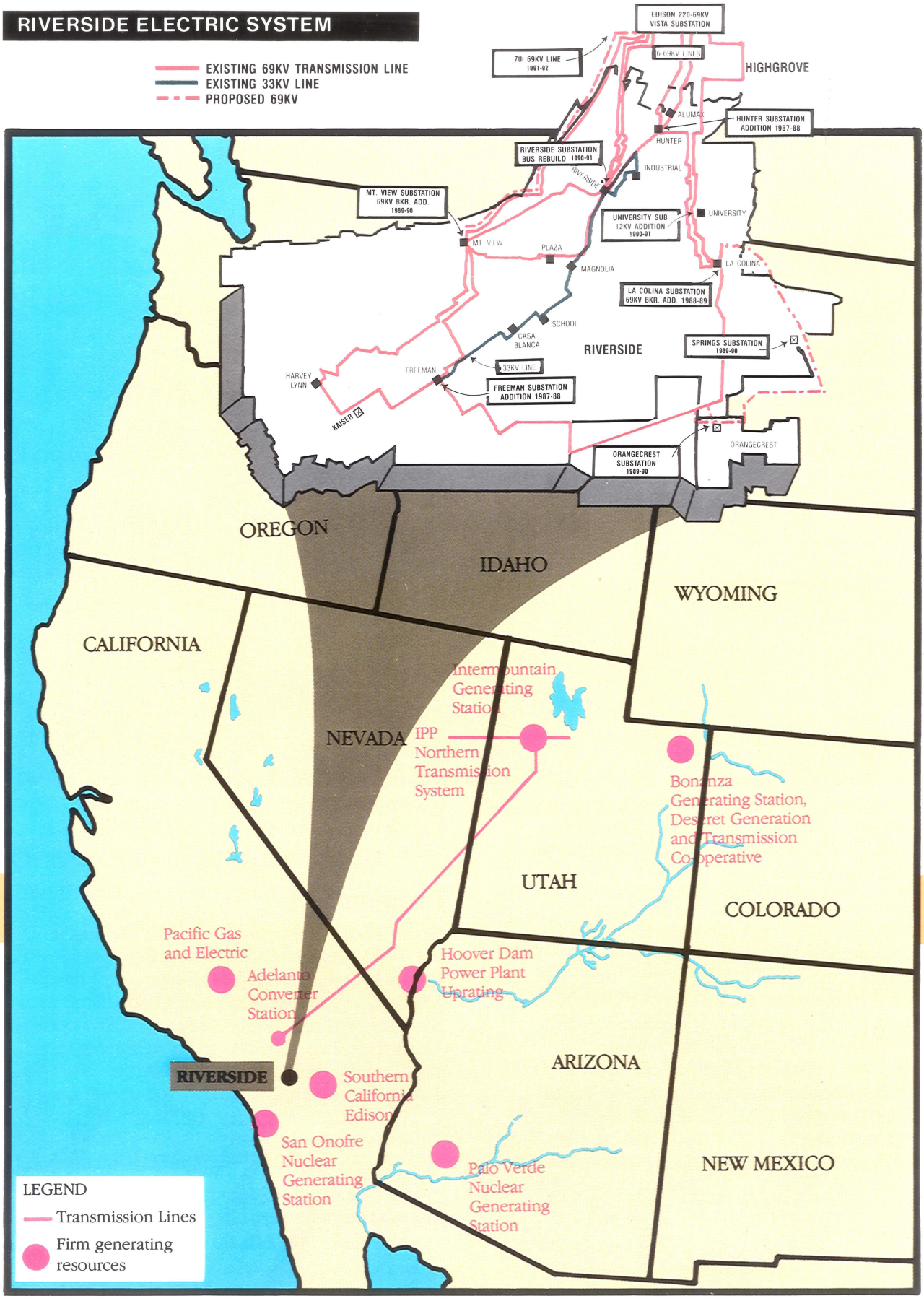
thirds of the Utilities' pool owners on the program. It has been a highly successful program with a low operating cost factor. Other load management programs include: a new residential central air-conditioner/heat pump replacement rebate (COOL CA$H); a residential time-of-use (TOU) rate program (CHOICE); and a commercial thermal energy storage (TES) program.

Conservation Programs

Public information, which includes the school education program, serving approximately 100 public and private schools in the service area, dispensed about 12,000 pieces of energy and water educational materials, audio-visuals, class presentations and teacher in-services during the 1987-88 school year; a new free residential electric appliance energy-use analysis program, UTILIGRAPH, performed 172 analyses between March and the end of June, 1988; the commercial on-site energy audit program demonstrated a marked increase in requests; and operation of the Energy Demonstration Center open to the public, are among conservation services offered to the Riverside customers.

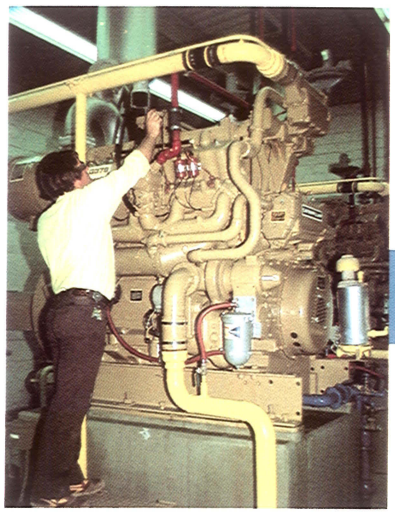
Special programs, designed to assist seniors, and the low-income, disabled households in improving energy efficiency are also offered without cost. An award winning WE CARE Program for seniors over 55 years, which began in the spring of 1984, has resulted in senior households being provided energy surveys and education, with 2,126 households receiving installation of water heater insulation, weatherstripping of doors and windows, and low-flow showerheads. The surveys and installation of conservation measures are performed by four part-time senior citizen employees. The HHEARTS Program for the low-income handicapped households is a spin-off from the WE CARE Program. The surveys for this program are performed by two part-time disabled employees. Funding for HHEARTS is provided by Community Development Block Grants. In addition, a Life Line Program provides special reduced electric rates for individuals who require electric life-support equipment. These individuals can also qualify for the HHEARTS Program.

". . . to the people of Riverside . . ."


RIVERSIDE ELECTRIC SYSTEM
EXISTING 69KV TRANSMISSION LINE
EXISTING 33KV LINE
PROPOSED 69KV
EDISON 220-69KV VISTA SUBSTATION
7th 69KV LINE 1991-92
6 69KV LINES
HIGHGROVE
ALUMAX
HUNTER SUBSTATION ADDITION 1987-88
HUNTER
RIVERSIDE SUBSTATION BUS REBUILD 1990-91
RIVERSIDE
INDUSTRIAL
MT. VIEW SUBSTATION 69KV BKR. ADD. 1989-90
UNIVERSITY SUB 12KV ADDITION 1990-91
UNIVERSITY
MT. VIEW
PLAZA
MAGNOLIA
LA COLINA
LA COLINA SUBSTATION 69KV BKR. ADD. 1988-89
SCHOOL
CASA BLANCA
RIVERSIDE
SPRINGS SUBSTATION 1989-90
33KV LINE
HARVEY LYNN
FREEMAN
FREEMAN SUBSTATION ADDITION 1987-88
KAISER
ORANGECREST
ORANGECREST SUBSTATION 1989-90
OREGON
IDAHO
WYOMING
CALIFORNIA
NEVADA
Intermountain Generating Station
IPP Northern Transmission System
Bonanza Generating Station, Deseret Generation and Transmission Co-operative
UTAH
COLORADO
Pacific Gas and Electric
Adelanto Converter Station
Hoover Dam Power Plant Uprating
RIVERSIDE
Southern California Edison
San Onofre Nuclear Generating Station
ARIZONA
Palo Verde Nuclear Generating Station
NEW MEXICO
LEGEND
Transmission Lines
Firm generating resources

Water System Highlights

In early 1988, the comprehensive Water Master Plan Study was completed and has provided Riverside with an excellent guide to ensure adequate water supplies in the future. The Master Plan Study, along with the Water Supply Study, completed in 1987, will be utilized to develop and prioritize water system improvements through the year 2000.



Drilling was completed on two new domestic water wells at Van Buren Street in the City of Grand Terrace. Construction of a 24-inch diameter transmission main, 4,000 feet in length, which connected the wells to the existing 60-inch Gage Pipeline was initiated this year. The wells can produce a total of 5,000 gallons per minute (gpm) from the North Riverside Groundwater Basin.

Construction began on the Van Buren Boulevard Transmission Main and related pressure control system. This system will deliver purchased water from the Santa Ana Watershed Project Authority's (SAWPA) 60-inch diameter Transmission Pipeline to the City's Van Buren and Mockingbird Storage Reservoirs. Phase I of the project includes 2,500 feet of 36-inch pipeline in Van Buren Boulevard and 1,600 feet of 30-inch pipeline in Equestrian Drive. This project will improve the link between the Van Buren Storage Reservoir and the Mockingbird Storage Reservoir. Phase II includes 3,700 feet of 30-inch pipeline and a required pressure reducing station. The Phase II project also connects the SAWPA Highline to the 36-inch Phase I pipeline.

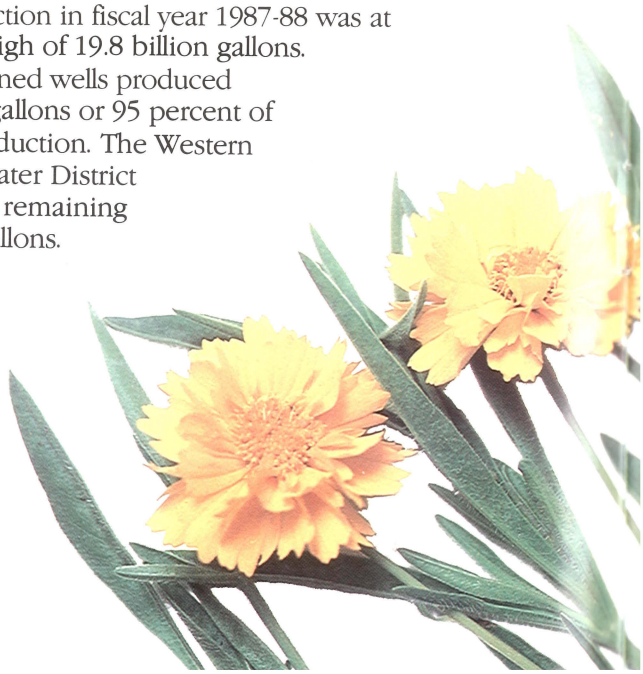
Operations

Transmission

The Utility installed approximately 2.5 miles of transmission pipelines to improve existing service and to transport water from the new wells.

Production

Water Production in fiscal year 1987-88 was at an all-time high of 19.8 billion gallons. Riverside-owned wells produced 18.8 billion gallons or 95 percent of the total production. The Western Municipal Water District supplied the remaining 1.0 billion gallons.



Water System Improvements

The Utility has a comprehensive, on-going maintenance program.

The 25 horsepower (HP) variable speed Valley Booster Pumping Station was constructed at the corner of Valley Drive and Sandy Lane. This station will boost water to the 1,080 Pressure Zone (located at 1,080 feet above sea level) which is experiencing rapid residential development. This station will supplement the existing Arlington Booster Pumping Station located at the corner of Arlington Avenue and Western Hills Drive.

The 300 HP variable speed Praed Booster Pumping Station was constructed at the corner of Praed Street and Orchard View Lane. This station provides water service to new residential development with an elevation too high to be served from the existing system.

Approximately 1,200 feet of 16-inch pipeline was installed in Box Springs Boulevard between Central Avenue and Minnesota Way. This pipeline will improve service to the University City area and provide service to the new Lusk-Highlander development.

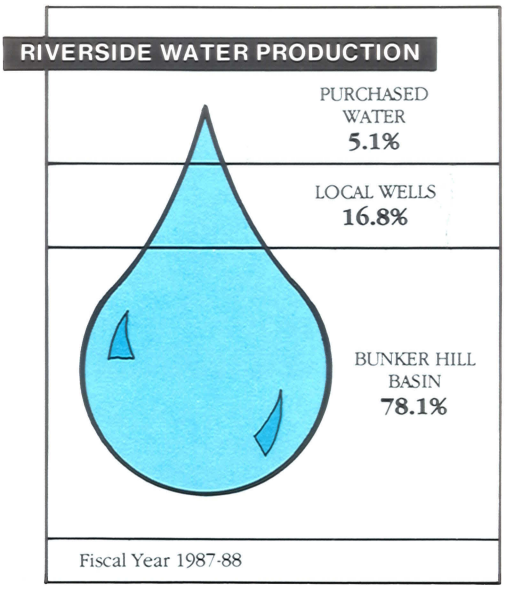
The Tilden Storage Reservoir at the west end of Grammercy Place was completely recoated. This work included inside and outside coating of the existing 1.5 million gallon steel tank.

Efforts to increase the flow capacity of the Gage Pipeline were successful. Flow had been restricted by air build-up in the pipeline. Thirteen of the 14 Gage wells were found to

produce small quantities of air along with the water. A program to replace existing air valves and to install new air valve assemblies at strategic locations was implemented. The increased capacity of the transmission pipeline enables the city to reduce the amount of more costly treated water which must be purchased. The flow capacity of the pipeline was increased by approximately 3,000 gallons per minute (gpm) from 27,000 to 30,000 gpm. This additional capacity results in an estimated savings of $240,000 per year.

Approximately 2.4 miles of new water mains and related appurtenances were constructed to replace old pipelines and to serve new developments. Approximately 8.2 miles of new water mains were installed within new subdivisions by developers in conformance with city standards.

During the 1987-88 fiscal year, 833 domestic, 127 commercial/industrial and 42 fire protection water services were installed.



". . . safe, reliable, environmentally sensitive . . ."

Water Quality

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

City wells located in The Bunker Hill Basin and North Riverside pump water that is naturally filtered in the underlying sand and gravel strata which comprise the aquifers making up the groundwater basins.

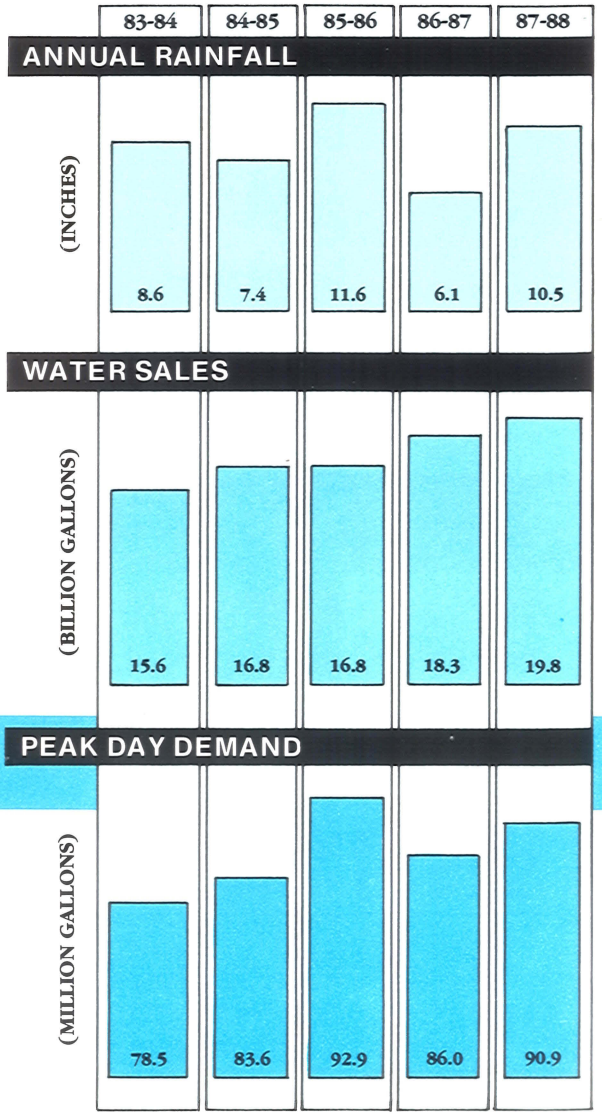
Water purchased from the Metropolitan Water District (MWD), during the summer months of high water demand, is pretreated and undergoes extensive testing by MWD before it is delivered to Riverside's system.

Looking Ahead

The six year Capital Improvement Program (CIP) approved by the Board of Public Utilities proposes an estimated expenditure of $67.1 million in water system improvements. The CIP was prepared utilizing the new Water Master Plan. These improvements will serve the continuing residential and commercial development and update the system.

The six year CIP includes the construction of four new replacement wells in the Colton Groundwater Basin, and construction of 24-inch and 30-inch transmission pipelines from the new wells to the existing 48-inch Gage Transmission Pipeline. The wells are anticipated to produce a total of 10,000 gallons per minute. The project is anticipated to be completed by 1992.

Included in the CIP is construction of six new replacement wells in the Bunker Hill Groundwater Basin. Two wells are to be connected to the existing San Bernardino Transmission Pipeline, the other four to the existing Gage Pipeline.

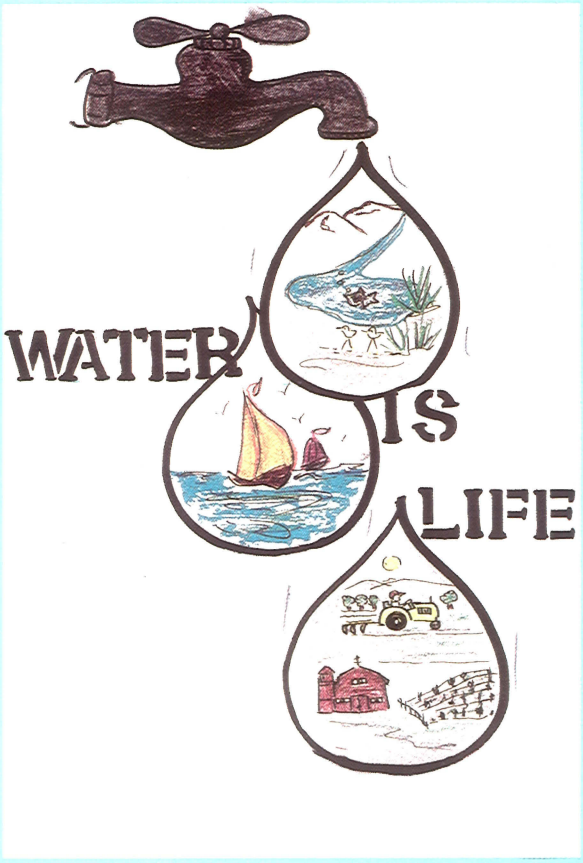


Additional major projects included in the CIP:

Replacement of pumping equipment on the majority of wells in the Bunker Hill Groundwater Basin. Much of this work is planned for winter, 1988 and spring, 1989.

Construction of eight new water storage reservoirs. The reservoirs will vary in size from 1.4 million gallons to 11 million gallons. The reservoirs will provide a combined additional 35.9 million gallons of storage at an estimated cost of $19 million. Plans include the construction of an 11 million gallon partially buried concrete reservoir to improve service to the southwest portion of the City.

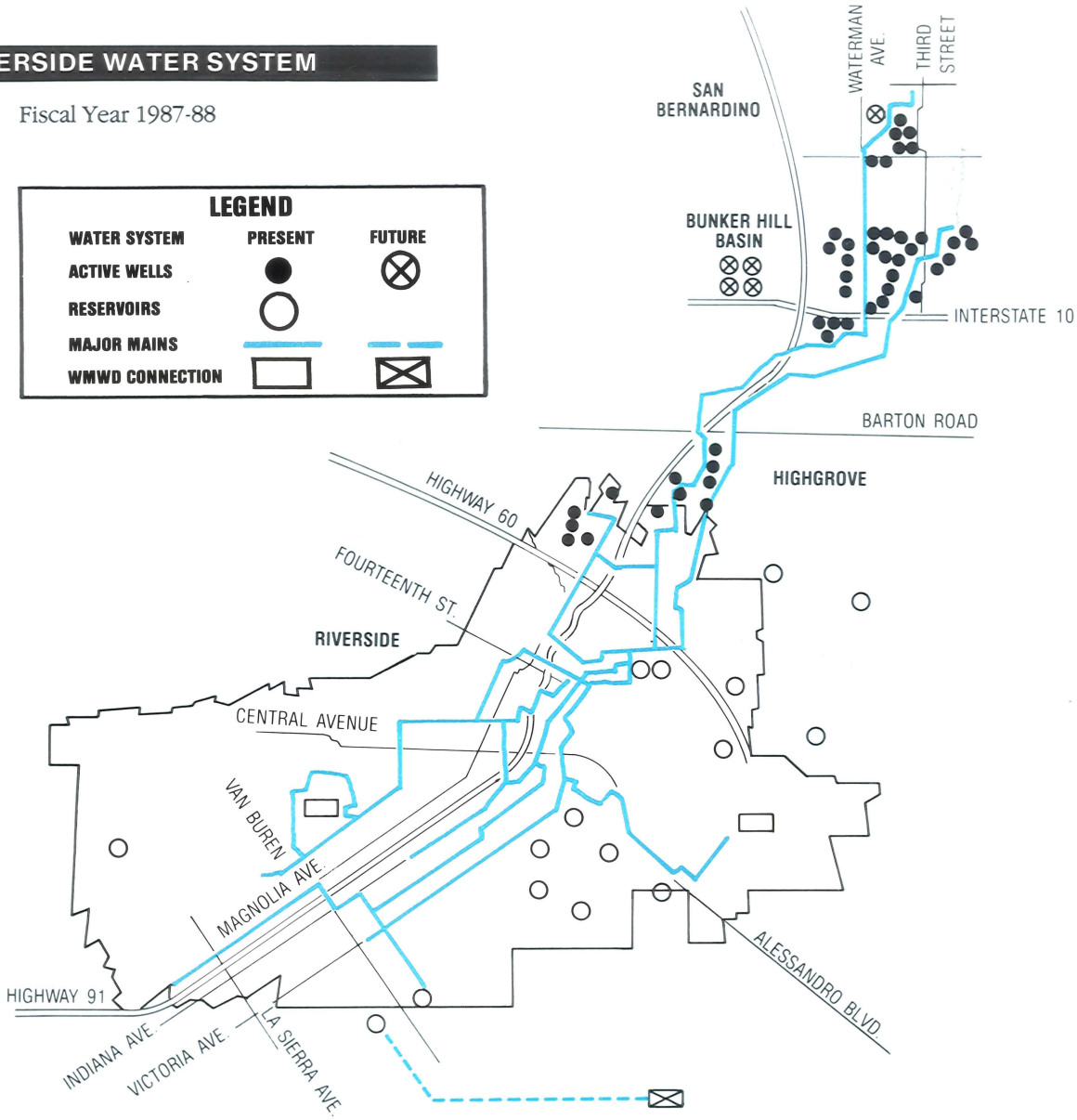
Construction of new booster pumping stations, and additions to existing pumping stations. Plans include: construction of the 200 HP variable speed University City Booster Pumping Station; provide service to the new Lusk-Highlander Development; and relocation of the existing Gratton Booster Station. The new Gratton Booster Station will be constructed at the corner of St. Lawrence Street and Hermosa Drive. The new location will eliminate the operational problems associated with the existing pumping station, and facilitate the connection of the existing Whitegates Pressure Zone to the Gratton Pressure Zone. Other additions include construction of gas engine driven fire pumps at the existing Rubidoux Booster Pumping Station and the Mary-Evans Booster Pumping Station.



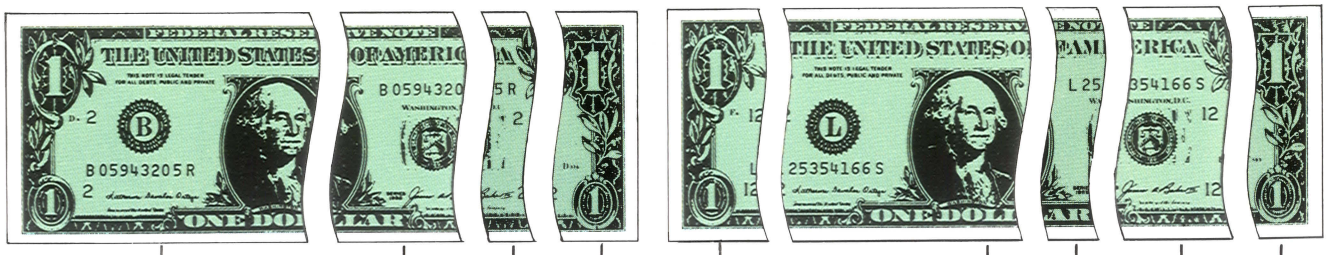
WATER AWARENESS
SCHOOL POSTER CONTEST
1988 Sweepstakes Prize
Winner: ALINA CISNEROS, Fifth Grade
Madison Elementary School, RUSD

RIVERSIDE WATER SYSTEM

Fiscal Year 1987-88



THE 1987-88 WATER DOLLAR



SOURCE OF REVENUE

53¢ Residential Sales
25¢ Commercial & Industrial Sales
6¢ Other Sales
16¢ Other Revenue

DISTRIBUTION OF REVENUE

15¢ Water Supply
44¢ Operation & Maintenance
9¢ Transfer to City General Fund
21¢ Debt Service
11¢ Available for Additions & Replacements to the System

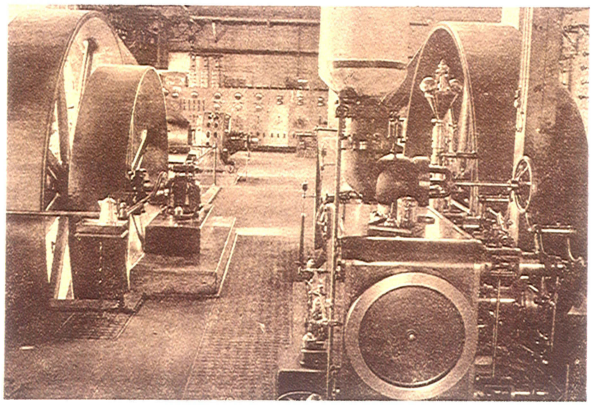
Riverside Public Utilities Historical Notes

Electric System

One hundred years ago, in 1888, electric lights were first introduced in the City of Riverside. The Riverside Electric System, constructed in 1895, was a pioneer in the transmission and distribution of electric power and among the first eight municipally owned systems in the State of California. Today, in terms of number of customers served, it is the fourth largest California municipal utility.

The City generated part of its own power from 1900-1924 but from 1950 to May 1976 power was purchased exclusively from Southern California Edison Company. At that time, Riverside began receiving nonfirm energy purchased from the Nevada Power Company and delivered by Edison. Riverside continued to develop a diversified power mix in order to become more independent in its source of electric power capacity. In 1983, Riverside began to receive power from its interest in the San Onofre Nuclear Generating Station. By June 1987, three other new power supply sources, the Intermountain Power Project, Palo Verde Nuclear Generating Station and the Hoover Power Plant, were also supplying power to the city.

At the end of FY 1987-88, the Electric System provided service to 83,112 customers with approximately 1.3 billion kilowatt-hours of generated and purchased power. This was an increase of 6.6 percent from the previous year.



Riverside's first hydroelectric plant, circa 1886.

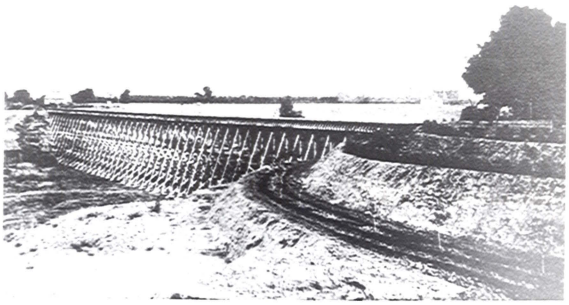
Water System

The Riverside Water Department began as a municipal function in 1913 with the purchase of domestic water holdings from three companies: (1) the Riverside Water Company (RWCo) (established in 1885), (2) the H.P. Keyes Company and (3) the Artesia Domestic Water Company.

Early in 1870, the RWCo Canal System was developed, originating at a point on the Santa Ana River located in Colton. Another canal was developed through the community of Highgrove. Around 1886 the first hydroelectric plant in Southern California was built on this canal. This 250 horsepower plant was later destroyed by fire and never rebuilt.

By early 1889 the RWCo took title to water wells and a pipeline originating from a point in San Bernardino. This was the beginning of the first comprehensive domestic water system in the City of Riverside. Between early 1900 and mid-1920 more wells were drilled in Colton, San Bernardino and Riverside.

In 1961, the City acquired the canal and water rights of RWCo. At that time there were approximately 28,000 service connections. By June 1988, there were approximately 57,328 connections and the system had more than doubled its water use. Today, Riverside receives a majority of its domestic water from two primary sources in San Bernardino, with the water supplied from the rain and snow run-off from the San Bernardino Mountains. About 15% of the underground water is produced from wells located in Riverside. Additionally, Riverside receives a small amount of imported water purchased from the Western Municipal Water District.



Courtesy of Riverside Municipal Museum

The Lower Canal flume across Tequesquite Arroyo in Riverside.

FINANCIAL REVIEW

The City of Riverside Electric and Water Utilities continue to show excellent operating results. The Utilities Department, in conjunction with the Board of Public Utilities, develops short-term and long-term financial plans that are designed to maintain rate stability and finance the Utilities' operations in the most economic fashion. Base electric rates have not changed since 1984, while water rates have remained stable since 1983.

The City of Riverside continues to experience population growth rates which are among the highest in the nation. The number of electric customers increased by 3 percent, and water customers grew by 2.5 percent. Electric sales revenues increased by 7.4 percent to $123.9 million. Water sales revenues were up by 0.7 percent.

The Electric Utility's net income was equal to $5.7 million, down from $9.1 million in 1986-87. Operating expenses increased from $92.7 million to $107.2 million, primarily due to a $12.1 million increase in power costs. The Water Utility's net income was $976,000, a decrease of $60,000 from 1986-87. Operating expenses increased by $452,000 to $13.9 million.

The Electric Utility invested $10.5 million in an electric plant during the fiscal year. The majority of these expenditures were for substation and distribution additions and modifications. The Water Utility added $4.5 million in transmission and distribution facilities during 1987-88.

Total assets in the Utilities Department were $388.3 million. The Electric Utility holds $263.1 million of these assets, with the Water Utility accounting for the remaining $125.2 million.

The Riverside Public Utilities Department is a part of the City of Riverside, has no stockholders, pays no dividends, and does not distribute earnings. The Utilities Department pays all costs of operation, debt service, and part of the cost of capital improvements from revenues. The cost of remaining capital improvements is met by the sale of revenue bonds and contributions in aid of construction. Besides meeting all of the costs of operation, including payments to the City for services rendered by the various municipal departments, the Utilities Department transfers up to 11.5 percent of its prior year's gross operating revenues to the City's General Fund. The Electric Utility transferred $6.5 million, or 5.6 percent of 1986-87 gross operating revenues, while the Water Utility transferred $1.8 million, or 11.5 percent of 1986-87 gross operating revenues during the 1987-88 fiscal year.

". . . fiscally responsible manner that furthers the goals of the city."

SELECTED FINANCIAL STATISTICS

POWER SUPPLY (mwh)	1987-88	1986-87	1985-86	1984-85	1983-84
San Onofre	237,088	263,714	168,410	159,397	102,163
Intermountain Power	641,301	396,830			
Palo Verde	51,458	42,321			
Hoover	38,356				
Firm Contracts	292,312	156,130	7,888		
Non-Firm Contracts	63,386	202,645	228,244	153,025	103,635
Southern California Edison	20,775	196,679	803,388	892,973	928,425
Total	1,344,676	1,258,319	1,207,930	1,205,395	1,134,223
System Peak (kW)	317.6	292.2	323.4	331.6	293.0
ELECTRIC USE					
Average Number of Customers					
Residential	74,195	72,197	68,579	64,506	64,160
Commercial	7,169	6,677	6,282	5,974	5,697
Industrial	193	330	301	243	220
Other	148	150	252	255	173
Total	81,705	79,354	75,414	70,978	70,250
Millions of Kilowatt-hour Sales					
Residential	452	431	421	427	394
Commercial	298	279	265	249	227
Industrial	480	439	449	425	407
Other	41	42	38	40	35
Total	1,271	1,191	1,173	1,141	1,063
Average Annual kWh per Residential Customer	6,092	5,970	6,139	6,620	6,141
Average Price (cents/kwh)	9.28	9.27	9.00	8.64	8.62
Debt as a percent of Net Plant*	89.1%	93.6%	96.7%	81.1%	85.0%
Operating income as a percent of Operating Revenues	13.5%	19.6%	16.6%	17.7%	18.4%
Employees	243	225	190	186	181

*Net plant includes Nuclear Fuel inventory and Work in Process.

BALANCE SHEET

	June 30 1988	June 30 1987 As Restated
	(In Thousands)	
Assets		
Utility plant:		
Production	$ 109,086	$ 109,086
Transmission	7,370	7,350
Distribution	77,543	75,317
General	2,988	2,505
Utility plant-in-service	196,987	194,258
Less-accumulated depreciation	(53,695)	(47,217)
Utility plant, net of accumulated depreciation	143,292	147,041
Construction-in-progress	15,891	8,355
Nuclear fuel, at amortized cost	8,734	6,755
Net utility plant	167,917	162,151
Restricted assets	28,596	34,349
Current assets:		
Cash and investments	44,596	34,097
Accounts receivable, net	18,125	15,926
Accrued interest receivable	1,428	1,126
Prepaid expenses	1,349	5,365
Nuclear plant spare parts inventory	455	551
Total current assets	65,953	57,065
Other assets:		
Unamortized project costs	639	1,244
Total assets	$ 263,105	$ 254,809
Capitalization and liabilities		
Equity:		
Retained earnings		
Reserved	$ 68,196	$ 62,496
Unreserved	10,000	10,000
Total retained earnings (Note 1)	78,196	72,496
Contributed capital	18,374	16,987
Total equity	96,570	89,483
Long-term obligations, less current portion	146,897	149,239
Total capitalization	243,467	238,722
Current liabilities:		
Accounts payable	10,443	7,852
Accrued interest payable	2,681	2,730
Other accrued liabilities	3,765	3,016
Current portion of long-term obligations	2,749	2,489
Total current liabilities	19,638	16,087
Commitments and contingencies		
Total capitalization and liabilities	$ 263,105	$ 254,809

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

STATEMENT OF INCOME AND RETAINED EARNINGS
For the Fiscal Years Ended

	June 30	
	1988	1987 As Restated
	(In Thousands)	
Operating revenues:		
Residential	$ 42,877	$ 40,532
Commercial and industrial	75,037	69,839
Sales to other utilities	4,965	4,108
Other	1,014	879
Total operating revenues	123,893	115,358
Operating expenses:		
Purchased power	81,280	69,135
Other operations	14,835	13,500
Maintenance	3,821	3,130
Depreciation and amortization	7,232	6,934
Total operating expenses	107,168	92,699
Operating income	16,725	22,659
Other income (expense):		
Interest income	5,671	6,282
Interest expense	(10,779)	(13,852)
Loss on retirement of equipment	(70)	(102)
Other	599	169
Other income (expense)	(4,579)	(7,503)
Income before operating transfers	12,146	15,156
Operating transfer out:		
General fund contribution	(6,446)	(6,052)
Net income	5,700	9,104
Retained earnings, beginning of year, as restated (Note 1)	72,496	63,392
Retained earnings, end of year	$ 78,196	$ 72,496

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

STATEMENT OF CHANGES IN FINANCIAL POSITION
For the Fiscal Years Ended

	June 30	
	1988	1987 As Restated
	(In Thousands)	
Sources of working capital:		
Operations:		
Net income	$ 5,700	$ 9,104
Expenses not requiring current outlay of financial resources:		
Depreciation and amortization	7,232	6,934
Loss on retirement of equipment	70	102
Amortization of nuclear fuel	1,715	1,516
Working capital provided by operations	14,717	17,656
Increase in contributed capital	1,387	1,681
Decrease in restricted assets	5,753	—
Total sources of working capital	21,857	19,337
Uses of working capital:		
Acquisition of utility plant	10,485	11,285
Reduction of long-term obligations	2,342	2,405
Purchase of nuclear fuel	3,693	729
Increase in restricted assets	—	986
Increase in unamortized project cost	—	481
Total uses of working capital	16,520	15,886
Net increase in working capital	$ 5,337	$ 3,451
Component elements of net increase (decrease) in working capital:		
Cash and investments	$10,499	$709
Receivables, net	2,501	1,779
Prepaid expenses	(4,016)	4,769
Nuclear plant spare parts inventory	(96)	(41)
Accounts payable	(2,591)	250
Accrued interest payable	49	(2,730)
Other accrued liabilities	(749)	(456)
Current portion of long-term obligations	(260)	(829)
Net increase in working capital	$ 5,337	$ 3,451

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

City of Riverside Electric Utility
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 1988

1. Summary of Significant Accounting Policies

The Electric Utility exists under, and by virtue of, the City Charter enacted in 1883, and is a component unit of the City of Riverside (City). The Electric Utility is responsible for the generation, transmission and distribution of electric power for sale in the City.

A. Basis of Accounting

The Financial Statements of the Electric Utility are presented in conformity with generally accepted accounting principles as applicable to governments and substantially in conformity with accounting principles prescribed by the Federal Energy Regulatory Commission, except for the method of accounting for contributed capital described below. The Electric Utility is not subject to the regulations of the Federal Energy Regulatory Commission.

B. Utility Plant and Depreciation

All utility plant is valued at historical cost or estimated historical cost, if actual historical cost is not available. Contributed plant is valued at its estimated fair market value on the date contributed. Cost includes labor; materials; allocated indirect charges, such as engineering, supervision, construction and transportation equipment, retirement plan contributions and other fringe benefits; and certain administrative and general expenses. The cost of relatively minor replacements is included in maintenance expense.

Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Production Plant	30 years
Transmission and Distribution Plant	20-50 years
Equipment	5-15 years

C. Nuclear Fuel

The Electric Utility amortizes the cost of nuclear fuel to expense using the "as burned" method. In accordance with the Nuclear Waste Disposal Act of 1982, the Electric Utility is charged one mill per kilowatt-hour of energy that is generated by the City's share of San Onofre Nuclear Generating Station's Units 2 and 3 to provide for estimated future storage and disposal of spent fuel. The Electric Utility pays this fee to its operating agent, Southern California Edison Company, on a quarterly basis.

D. Nuclear Decommissioning

Federal regulations require the Electric Utility to provide for the future decommissioning of these nuclear units. Decommissioning costs are charged to operating expense over the life of the plant. The Electric Utility has established a reserve fund for the decommissioning of the nuclear power plant and restoration of the beach front at San Onofre. The Electric Utility funds the reserve over the useful life of the generating plant. Decommissioning is projected to commence in 25 to 28 years. To date, the Electric Utility has set aside $766,534 in cash and investments as its estimated share of the decommissioning cost of the San Onofre Nuclear Generating Station.

E. Cash and Investments

The City Treasurer deposits idle funds in accordance with Section 53601 of the California Government Code and the City's general investment policy. In accordance with the City's policy, the Electric Utility's cash and investments are invested in a pool managed by the Treasurer of the City. The Electric Utility does not own specific, identifiable investments of the pool. At June 30, 1988, cost approximated the market value of the Electric Utility's share of pooled cash and investments.

Deposits held in California banks are entirely insured or collaterized. At June 30, 1988, the City had invested principally in negotiable certificates of deposit, U.S. Treasury bills and notes and floating rate notes. These

investments are uninsured or unregistered, with securities held by the counterparty or by its Trust Department or Agent, but not in the City's name.

Disclosure of the legal and contractual provisions of the City's investment policy and carrying amounts by type of investment categorized by credit risk may be found in Note 3 of the City's "Comprehensive Annual Financial Report" for the fiscal year ended June 30, 1988.

F. Revenue Recognition

The Electric Utility uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Electric utility customers are billed monthly. Unbilled electric service charges are recorded at year-end and are included in Accounts Receivable. Unbilled accounts receivable totalled $4,187,000 at June 30, 1987 and $5,111,000 at June 30, 1988. An allowance for doubtful accounts is maintained for utility and miscellaneous accounts receivable classifications. The balance in this account is adjusted at fiscal year end to approximate the amount anticipated to be uncollectible. The balance in the allowance account was $746,000 at June 30, 1987 and $733,000 at June 30, 1988. During the fiscal year, accounts determined to be uncollectible are recorded as bad debt expense.

G. Inventories

The City maintains a separate Central Stores inventory. The Electric Utility expenses items as they are drawn out of Central Stores. As such, the Electric Utility does not include inventories on its financial statements.

H. Contributed Capital

Under the provisions of the City Charter, amounts received from customers and others for constructing utility plant are combined with retained earnings to represent equity. Accordingly, contributed capital is shown in the accompanying balance sheet as an equity account and is not offset against utility plant. Depreciation provided for the related utility plant is expensed.

I. Compensated Absences

The accompanying financial statements include accruals for salaries, fringe benefits, and compensated absences due employees at June 30, 1988. The Electric Utility treats compensated absences due employees as a current liability. Compensated absences due employees at June 30, 1988, totalled $2,772,000.

Utility employees receive from ten to twenty-five days vacation each year depending upon length of service. Vacation can be accumulated to a maximum not to exceed the vacation earned in a two year period. Unused vacation may be redeemed in cash upon termination of employment.

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

J. Self-Insurance Program

The Electric Utility participates in a self-insurance program for workers compensation and general liability coverage which is administered by the City. The Electric Utility pays an amount to the City representing an estimate of amounts to be paid for reported claims incurred and unreported claims based upon past experience, modified for current trends and information.

While the ultimate amount of losses incurred through June 30, 1988 is dependent upon future developments, the Utility's management believes that amounts paid are sufficient to cover such losses.

K. Deferred Compensation and Employees' Retirement Plans

Deferred Compensation Plan:

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

All amounts of compensation deferred under the plan and all related income are solely the property and rights of the City until paid or made available to the employee or other beneficiary (without being restricted to the provisions of benefits under the Deferred Compensation Plan), subject only to the

claims of the City's general creditors. Participants' rights under the Deferred Compensation Plan are equal to those of the City's general creditors in an amount equal to the fair market value of the deferred account for each participant.

Employees' Retirement Plan:
The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agency for participating public entities within California. All permanent full-time and selected part-time employees are eligible for participation in PERS. Benefits vest after five years of service and are determined by a formula that considers the employee's age, years of service and salary. As an example, employees may retire at age 60 and receive 2 percent of their highest average annual salary for each year of service completed. Employees retiring at age 50 to 59 receive a lesser percentage for each year of service. PERS also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and City ordinance.

Employee contributions are 7 percent, while the Utility is required to contribute the remaining amounts necessary to fund the benefits for its members using the actuarial basis recommended by the PERS actuaries and consultants and adopted by the PERS Board of Administration. These benefit provisions and all other requirements are established by state statute and City ordinance. The Utility pays both the employee and employer contributions. Allocation of PERS financial data related to the Electric Utility is not available. Citywide information concerning elements of unfunded pension benefit obligation, contributions to PERS for the year ended June 30, 1988, and recent trend information may be found in Note 10 of the City's "Comprehensive Annual Financial Report" for the fiscal year ended June 30, 1988.

L. General Fund Contribution

Pursuant to the City Charter, the Electric Utility may transfer up to 11.5 percent of its prior year's gross operating revenues to the City's General Fund. In Fiscal Years 1986-87 and 1987-88 the Electric Utility transferred 5.6 percent of the prior year's gross operating revenues to the General Fund. This amounted to $6,052,000 in 1986-87 and $6,446,000 in 1987-88.

M. Budgets and Budgetary Accounting

The Electric Utility presents, and the City Council adopts, an annual budget. The proposed budget includes estimated expenditures and forecasted revenues. The City Council adopts the Electric Utility's budget at its last meeting in June via an adopting resolution. The Electric Utility's budgeted expenditures for fiscal year 1987-88 amounted to $141,245,000, while the adopted 1988-89 budget totals $140,487,000.

N. Reclassifications and Restatements

Certain amounts reported in the prior year's financial statements have been reclassified to conform with the current year's presentation. Retained Earnings as of June 30, 1987 and June 30, 1986 have been restated to correct certain accounting errors associated with prior year's financial statements.

The adjustments relate to (1) the reclassification of the Rate Stabilization Account from a liability to equity, reflecting the intentions of the Board of Public Utilities and the City Council, (2) the recognition of refunds of the cost of purchased power, (3) the recognition of accrued interest on bonds, (4) the amortization of premiums and discounts on investments, and (5) the appropriate accounting for a transfer to the Internal Service fund.

The aforementioned restatements of Retained Earnings are summarized as follows (in thousands):

	June 30,	
	1987	**1986**
	(000's)	
Retained Earnings, as previously reported	$45,370	$29,954
Rate Stabilization	26,501	34,426
Refund of Cost of Purchased Power	5,097	—
Accrued Interest on Bonds	(2,729)	—
Amortization of premiums and discounts	(1,238)	(483)
Transfer to Internal Service Fund	(505)	(505)
Retained Earnings, as Restated	$72,496	$63,392

2. Long-Term Obligations

The following is a summary of changes in long-term obligations of the Electric Utility for the year ended June 30, 1988 (in thousands):

	Balance at July 1, 1987	Increase	Deductions	Balance at June 30, 1988
Certificates of Participation	$ 114	$ 407	$ 84	$ 437
Revenue Bonds Payable	151,615		2,406	149,209
Total	$ 151,729	$ 407	$ 2,490	$ 149,646

Annual debt service requirements to maturity as of June 30, 1988 are as follows (in thousands):

	1989	1990	1991	1992	1993	Thereafter	Total
Certificates of Participation	$ 20	$ 132	$ 106	$ 96	$ 74	$ 9	$ 437
Bond Interest Payable	10,616	10,396	10,159	9,902	9,640	118,011	168,724
Bond Principal Payable	2,565	2,735	2,905	3,110	3,320	134,574	149,209
Total	$ 13,201	$ 13,263	$ 13,170	$ 13,108	$ 13,034	$ 252,594	$ 318,370

The Electric Utility's share of outstanding Certificates of Participation amounts to $437,000 at June 30, 1988; due in annual installments through January 1, 1996; interest from 5.75 percent to 9.4 percent.

Revenue bonds payable at June 30, 1988 are as follows (in thousands):

$80,000,000 1980 Electric Revenue serial bonds due in annual installments from $775,000 to $1,250,000 through October 1, 1993; interest from 8.1 percent to 10.0 percent	$ 5,950
$9,070,000 1980 Electric Revenue Refunding serial bonds due in annual installments from $465,000 to $470,000 through October 1, 1993; interest from 8.1 percent to 10.0 percent	2,815
$35,000,000 1983 Electric Revenue serial bonds due in annual installments from $360,000 to $680,000 through October 1, 1995; interest from 8.5 percent to 10.5 percent	4,085
$16,500,000 1985 Electric Revenue bonds; $6,110,000 serial bonds due in annual installments from $275,000 to $650,000 through October 1, 2000; interest from 6.25 percent to 8.3 percent; $4,155,000 term bonds due October 1, 2005 at 8.4 percent; and $6,235,000 term bonds due October 1, 2010 at 8.5 percent	15,995
$121,025,000 1986 Electric Revenue Refunding Series A bonds; $36,410,000 serial bonds due in annual installments from $690,000 to $4,740,000 through October 1, 2001; interest from 4.75 percent to 6.8 percent, $15,705,000 term bonds due October 1, 2004 at 7 percent; and $68,910,000 term bonds due October 1, 2013 at 7 percent	120,365
Total Electric Revenue Bonds Payable	$149,210

The Electric Utility's bond indentures require the Utility to maintain a debt service coverage ratio, as defined in the bond covenants, of 1.25 times. The Electric Utility's debt service coverage ratio was 2.2 at June 30, 1988.

3. Reserves of Retained Earnings

A reserve for debt service has been established pursuant to applicable bond indentures. The reserve for debt service at June 30, 1988 is equal to the maximum annual debt service required in future years plus three months' of interest and nine months' principal due in the next fiscal year.

On June 23, 1987, the City Council established a Reserve for Rate Stabilization. This reserve is equal to the difference between assets and liabilities; less debt service reserve, contributed capital and an Operating Cash Reserve of $10,000,000. The Reserve for Rate Stabilization is drawn upon anytime the Operating Cash Reserve falls below $10,000,000. The Operating Cash Reserve was established by the same Council action, and is reflected as unreserved retained earnings.

Total reserves at June 30, 1988 are as follows (in thousands):

Debt Service	$17,829
Rate Stabilization	50,367
Total	$68,196

4. Litigation

In April, 1985, Southern California Edison Company filed a lawsuit in the amount of $4,747,000 regarding costs related to nuclear fuel purchases made by Edison for San Onofre Nuclear Generating Station Units 2 and 3. The City believes that this claim is without merit and has denied the claim. No amounts have been accrued for this contingency in the accompanying financial statements.

Other Litigation

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

On March 2, 1978, the Cities of Anaheim, Riverside, Banning, Colton and Azusa filed an action in the Federal District Court for the Central District of California alleging that Edison was involved in a conspiracy to restrain and monopolize trade and price discrimination, all in violation of the Sherman Antitrust Act and the Robinson-Patman Price Discrimination Act. This case was completed in October 1986, and the parties are currently awaiting the judge's decision.

Rate Cases and Other Proceedings

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

The Electric Utility is a defendant in various lawsuits arising in the normal course of business. Management, based in part on the opinion of outside legal counsel, does not believe that the ultimate resolution of these matters will have a material effect on the financial position or results of operations of the Electric Utility.

5. Commitments

A. Take or Pay Contracts

The Electric Utility has entered into a Power Sales Contract with the Intermountain Power Agency (IPA) for the delivery of electric power. The Electric Utility's share of IPA power is equal to 7.617 percent of the generation output of IPA's 1,600 megawatt coal-fueled generating station, located in Central Utah.

The contract constitutes an obligation of the City to make payments solely from revenues of the Electric Utility. The Power Sales Contract requires the Electric Utility to pay certain minimum charges, which are based on debt service requirements. Such payments are considered a cost of purchased power.

The Electric Utility is a member of the Southern California Public Power Authority (SCPPA), a joint powers agency. SCPPA provides for the financing and construction of electric generating and transmission projects for participation by some or all of its members. To the extent the Electric Utility participates in projects developed by SCPPA, the Electric Utility will be obligated for its proportionate share of the cost of the project. The projects and the Electric Utility's proportionate share of SCPPA's obligations are as follows:

Project	Percent Share
Palo Verde Nuclear Generating Station	5.400 percent
Southern Transmission System	10.104 percent
Hoover Dam Uprating	31.910 percent

As part of the take or pay commitments with IPA and SCPPA, the Electric Utility has agreed to pay its share of current and long-term obligations. Payment for these obligations will be made from operating revenues received during the year that payment is due. Interest rates on the outstanding debt associated with the take or pay obligations range from 5.0 percent to 8.5 percent. The following schedule details the amount of principal which is due and payable by the Electric Utility for each project in the fiscal year indicated.

Year Ending June 30	Principal Payments (in thousands) Intermountain Power Project	Palo Verde Nuclear Generating Station	Southern Transmission System	Hoover Uprating	Total
1989	$ 2,394	$ 707	$ 230	$ —	$ 3,331
1990	3,564	749	385	—	4,698
1991	3,819	796	808	—	5,423
1992	4,977	853	863	—	6,693
1993	5,170	916	926	—	7,012
Therafter	380,712	52,251	98,513	10,943	542,419
Total	$ 400,636	$ 56,272	$ 101,725	$ 10,943	$ 569,576

B. Power Sales Agreements

The Electric Utility has executed two firm Power Sales Agreements. These agreements allow the Electric Utility to purchase capacity and energy to offset purchases from Southern California Edison.

The agreements are with the Deseret Generation and Transmission Cooperative (Deseret) of Sandy, Utah, and the Pacific Gas and Electric Company (PG&E). The agreement with Deseret is a fixed price purchase of 46.7 megawatts of firm capacity and associated energy for a period of eight years, which was initiated January 1, 1987. The agreement with PG&E is a purchase of 5 megawatts of firm capacity and associated energy, renewable on an annual basis. The sale and acceptance of capacity and energy is contingent upon available transmission service.

C. Joint Ventures

Pursuant to the Settlement Agreement with Southern California Edison, dated August 4, 1972, the City was granted the right to acquire a 1.79 percent ownership interest in San Onofre Nuclear Generating Station (SONGS) Units 2 and 3. Pursuant to the Settlement Agreement, Edison agreed to provide the necessary transmission service to deliver the output of SONGS to Riverside. Edison and the City entered into the SONGS Participation Agreement which sets forth the terms and conditions under which the City, through the Electric Utility, participates in the ownership and output of SONGS.

The Electric Utility's share of the capitalized construction cost and operating expenses is included in the Electric Utility's financial statements. As of June 30, 1988, Riverside's 1.79 percent share of the capitalized construction costs for SONGS totaled $109,086,000, with accumulated depreciation of $17,253,000. The Electric Utility's portion of current and long-term debt associated with SONGS is included in the accompanying financial statements.

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

6. Subsequent Events

As of July 1, 1988, an amendment to an Intermountain Power Agency bond resolution provides for the use of surplus funds from the Intermountain Power Project. As a member participant of this project, the Electric Utility expects to receive $20.6 million during the next fiscal year, representing its share of such surplus funds. The funds will be used to reduce the Utility's future purchased power expense.

Report of Independent Accountants

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

In our opinion, the accompanying balance sheet and the related statements of income and retained earnings and of changes in financial position, after giving retroactive effect to the adjustments described in Note 1, present fairly, in all material respects, the financial position of the City of Riverside Electric Utility at June 30, 1988, and the results of its operations and the changes in its financial position for the year then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the management of the City of Riverside; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above. The financial statements of the City of Riverside Electric Utility for the year ended June 30, 1987, prior to restatement, were examined by other independent accountants whose report dated December 11, 1987 expressed an unqualified opinion on those financial statements.

As discussed in Note 1, the financial statements for the year ended June 30, 1987 have been restated to reflect the correction of certain accounting errors. We have reviewed the adjustments described in Note 1 that were applied to restate the 1987 financial statements. In our opinion, such adjustments are appropriate and have been properly applied to the 1987 financial statements.

Price Waterhouse

SELECTED FINANCIAL STATISTICS

WATER SUPPLY (acre-ft)	1987-88	1986-87	1985-86	1984-85	1983-84
Pumping	57,446	57,267	53,314	53,623	47,281
Purchases	3,214	3,417	3,454	2,702	1,384
Total	60,660	60,684	56,768	56,325	48,665
% Pumped	94.7%	94.4%	93.9%	95.2%	97.2%
System Peak Day (gals)	90,857,683	86,025,019	92,893,544	82,946,236	78,458,543
WATER USE					
Average Number of Customers					
Residential	51,018	50,132	49,212	48,270	47,627
Commercial/Industrial	3,757	3,670	3,553	3,504	3,483
Other	2,942	2,528	2,603	2,504	2,440
Total	57,717	56,330	55,368	54,278	53,550
CCF Sales					
Residential	15,156,174	15,417,373	14,616,402	14,493,140	12,983,168
Commercial	7,805,421	7,896,845	7,184,416	6,521,106	5,842,024
Industrial	1,254,534	1,511,726	1,696,000	1,362,218	1,222,936
Other					
Total	24,216,129	24,825,944	23,496,818	22,376,464	20,048,128
Average Annual CCF per Residential Customer	297	308	297	300	273
Average Price (cents/ccf)	63.5	62.5	62.0	62.3	66.0
Debt as a percent of Net Plant	47.50%	47.96%	52.70%	36.30%	38.13%
Operating income as a percent of Operating Revenues	6.0%	12.8%	13.6%	8.9%	15.0%
Employees	124.5	119.5	122.0	116.0	121.0

BALANCE SHEET

	June 30 1988	June 30 1987 As Restated
	(In Thousands)	
Assets		
Utility plant:		
Source of supply	$ 10,308	$ 10,066
Pumping	4,478	4,420
Treatment	316	313
Transmission and distribution	86,235	84,820
General	2,770	2,631
Intangible	5,543	5,623
Utility plant-in-service	109,650	107,873
Less-accumulated depreciation	(31,273)	(29,004)
Utility plant, net of accumulated depreciation	78,377	78,869
Construction-in-progress	7,453	4,959
Net utility plant	85,830	83,828
Restricted assets	5,615	9,777
Current assets:		
Cash and investments	30,821	23,917
Accounts receivable, net	2,039	2,141
Accrued interest receivable	710	546
Total current assets	33,570	26,604
Other assets	160	170
Total assets	$ 125,175	$ 120,379
Capitalization and liabilities		
Equity:		
Retained earnings		
Reserved for debt service	$ 5,302	$ 5,000
Unreserved	23,124	22,450
Total retained earnings (Note 1)	28,426	27,450
Contributed capital	53,365	48,649
Total equity	81,791	76,099
Long-term obligations, less current portion	39,198	40,656
Total capitalization	120,989	116,755
Current liabilities:		
Accounts payable	780	470
Accrued interest payable	665	681
Other accrued liabilities	1,170	947
Current portion of long-term obligations	1,571	1,526
Total current liabilities	4,186	3,624
Commitments and contingencies		
Total capitalization and liabilities	$ 125,175	$ 120,379

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

STATEMENT OF INCOME AND RETAINED EARNINGS
For the Fiscal Years Ended

	June 30	
	1988	1987 As Restated
	(In Thousands)	
Operating revenues:		
Water sales		
Residential	$ 10,400	$ 10,550
Commercial	4,971	4,957
Other	1,066	830
Total operating revenues	16,437	16,337
Operating expenses:		
Purchased water	843	904
Purchased energy	1,987	2,178
Operations	7,168	6,529
Maintenance	1,486	1,435
Depreciation and amortization	2,416	2,402
Total operating expenses	13,900	13,448
Operating income	2,537	2,889
Other income (expense):		
Interest income	2,779	3,035
Interest expense	(2,738)	(3,482)
Loss on retirement of equipment	(88)	—
Other	300	357
Other income (expense)	253	(90)
Income before operating transfers	2,790	2,799
Operating transfer out:		
General fund contribution	(1,814)	(1,763)
Net income	976	1,036
Retained earnings, beginning of year, as restated (Note 1)	27,450	26,414
Retained earnings, end of year	$ 28,426	$ 27,450

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

STATEMENT OF CHANGES IN FINANCIAL POSITION
For the Fiscal Years Ended

	June 30	
	1988	1987 As Restated
	(In Thousands)	
Sources of working capital:		
Operations:		
Net income	$ 976	$ 1,036
Expenses not requiring current outlay of financial resources:		
Depreciation and amortization	2,416	2,402
Loss (gain) on retirement of equipment	88	(116)
Amortization of debt issuance costs	9	9
Working capital provided by operations	3,489	3,331
Increase in contributed capital	4,716	6,812
Decrease in restricted assets	4,162	8,828
Total sources of working capital	12,367	18,971
Uses of working capital:		
Acquisition of utility plant	4,505	7,578
Reduction of long-term obligations	1,458	1,121
Total uses of working capital	5,963	8,699
Net increase in working capital	$ 6,404	$ 10,272
Component elements of net increase (decrease) in working capital:		
Cash and investments	$ 6,904	$ 10,848
Receivables, net	62	392
Prepaid expenses	—	(2)
Accounts payable	(310)	(182)
Accrued interest payable	16	(682)
Other accrued liabilities	(223)	(30)
Current portion of long-term obligations	(45)	(72)
Net increase in working capital	$ 6,404	$ 10,272

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

City of Riverside Water Utility
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 1988

1. Summary of Significant Accounting Policies

The Water Utility exists under, and by virtue of, the City Charter enacted in 1883, and is a component unit of the City of Riverside (City). The Water Utility is responsible for the production, transmission and distribution of water for sale in the City.

A. Basis of Accounting

The Financial Statements of the Water Utility are presented in conformity with generally accepted accounting principles as applicable to governments and substantially in conformity with accounting principles prescribed by the California Public Utilities Commission, except for the method of accounting for contributed capital described below. The Water Utility is not subject to the regulations of the California Public Utilities Commission.

B. Utility Plant and Depreciation

All utility plant is valued at historical cost or estimated historical cost, if actual historical cost is not available. Contributed plant is valued at its estimated fair market value on the date contributed. Cost includes labor; materials; allocated indirect charges, such as engineering, supervision, construction and transportation equipment, retirement plan contributions and other fringe benefits; and certain administrative and general expenses. The cost of relatively minor replacements is included in maintenance expense.

Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Supply Pumping and Treatment Plant	20-50 years
Transmission and Distribution Plant	30-50 years
General Plant and Equipment	5-50 years

C. Cash and Investments

The City Treasurer deposits idle funds in accordance with Section 53601 of the California Government Code and the City's general investment policy. In accordance with the City's policy, the Water Utility's cash and investments are invested in a pool managed by the Treasurer of the City. Interest income earned on pooled cash and investments is allocated monthly to the Water Utility on the basis of month-end cash balances. The Water Utility does not own specific, identifiable investments of the pool. These investments are valued at cost, which at June 30, 1988, approximated market value.

Deposits held in California banks are entirely insured or collaterized. At June 30, 1988, the City had invested principally in negotiable certificates of deposit, U.S. Treasury bills and notes and floating rate notes. These investments are uninsured or unregistered, with securities held by the counterparty or by its Trust Department or Agent, but not in the City's name.

Disclosure of the legal and contractual provisions of the City's investment policy and carrying amounts by type of investment categorized by credit risk may be found in Note 3 of the City's "Comprehensive Annual Financial Report" for the fiscal year ended June 30, 1988.

D. Revenue Recognition

The Water Utility uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Water Utility customers are billed monthly. Unbilled water service charges are recorded at year-end and are included in accounts receivable. Unbilled accounts receivable amounted to $702,000 at June 30, 1987 and $723,000 at June 30, 1988. An allowance for doubtful accounts is maintained for utility and miscellaneous accounts receivable classifications. The balance in this account is adjusted at fiscal year end to approximate the amount anticipated to be

uncollectible. The balance in the allowance account was $130,000 at June 30, 1987 and $215,000 at June 30, 1988. During the fiscal year, accounts determined to be uncollectible are recorded as bad debt expense.

E. Inventories

The City maintains a separate Central Stores inventory. The Water Utility expenses items as they are drawn out of inventory. As such, the Water Utility does not include inventories on its financial statements.

F. Contributed Capital

Under the provisions of the City Charter, amounts received from customers and others for constructing utility plant are combined with retained income reinvested in the business to represent equity. Accordingly, contributed capital is shown in the accompanying balance sheet as an equity account and is not offset against utility plant; depreciation provided for the related utility plant is expensed.

G. Compensated Absences

The accompanying financial statements include accruals for salaries, fringe benefits, and compensated absences due employees. The Water Utility treats compensated absences due employees as a current liability. Compensated absences due employees at June 30, 1988, are included in other accrued liabilities and amounted to $1,037,000.

Utility employees receive from ten to twenty-five days vacation each year depending upon length of service. Vacation can be accumulated to a maximum, not to exceed the vacation earned in a two year period. Unused vacation may be redeemed in cash upon termination of employment.

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

H. Self-Insurance Program

The Water Utility participates in a self-insurance program for workers compensation and general liability coverage which is administered by the City. The Water Utility pays an amount to the City representing an estimate of amounts to be paid for reported claims incurred and unreported claims based upon past experience, modified for current trends and information.

While the ultimate amount of losses incurred through June 30, 1988 is dependent upon future developments, the Utility's management believes that amounts paid are sufficient to cover such losses.

I. Deferred Compensation and Employees' Retirement Plans

Deferred Compensation Plan:

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

All amounts of compensation deferred under the plan and all related income are solely the property of the City until paid or made available to the employee or other beneficiary (without being restricted to the provisions of benefits under the Deferred Compensation Plan), subject only to the claims of the City's general creditors. Participants' rights under the Deferred Compensation Plan are equal to those of the City's general creditors in an amount equal to the fair market value of the deferred account for each participant.

Employees' Retirement Plan:

The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agency for participating public entities within California. All permanent full-time and selected part-time employees are eligible for participation in PERS. Benefits vest after five years of service and are determined by a formula that considers the employee's age, years of service and salary. As an example, employees may retire at age 60 and receive 2 percent of their highest average annual salary for each year of service completed. Employees retiring at age 50 to 59 receive a lesser

percentage for each year of service. PERS also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and City ordinance.

Employee contributions are 7 percent, while the Utility is required to contribute the remaining amounts necessary to fund the benefits for its members using the actuarial basis recommended by the PERS actuaries and consultants and adopted by the PERS Board of Administration. These benefit provisions and all other requirements are established by state statute and City ordinance. The Utility pays both the employee and employer contributions.

Allocation of PERS financial data related to the Water Utility is not available. Citywide information concerning elements of unfunded pension benefit obligation, contributions to PERS for the year ended June 30, 1988, and recent trend information may be found in Note 10 of the City's "Comprehensive Annual Financial Report" for the fiscal year ended June 30, 1988.

J. General Fund Contribution

Pursuant to the City Charter, the Water Utility may transfer up to 11.5 percent of its prior year's gross operating revenues to the City's General Fund. In fiscal years 1986-87 and 1987-88 the Water Utility transferred 11.5 percent of gross operating revenues, or $1,763,000 and $1,814,000, respectively.

K. Budgets and Budgetary Accounting

The Water Utility presents, and the City Council adopts, an annual budget. The proposed budget includes estimated expenditures and forecasted revenues. The City Council adopts the Water Utility's budget at its last meeting in June via an adopting resolution. The Water Utility's budgeted expenditures for fiscal year 1987-88 amounted to $28,389,000, while the adopted 1988-89 budget totals $27,087,000.

L. Reclassifications and Restatements

Certain amounts reported in the prior year's financial statements have been reclassified to conform with the current year's presentation. Retained Earnings as of June 30, 1987 and June 30, 1986 have been restated to correct certain accounting errors associated with prior year's financial statements.

The adjustments reflect (1) the recognition of accrued interest on bonds, (2) the amortization of premiums and discounts on investments, and (3) the appropriate accounting for a transfer to the Internal Service fund.

The aforementioned restatements of Retained Earnings are summarized as follows (in thousands):

	June 30,	
	1987	**1986**
	(000's)	
Retained Earnings, as previously reported	$28,945	$26,861
Accrued Interest on Bonds	(682)	
Amortization of Premiums and Discounts	(563)	(197)
Transfer to Internal Service Fund	(250)	(250)
Retained Earnings, as Restated	$27,450	$26,414

2. Long-Term Obligations

The following is a summary of changes in long-term obligations of the Water Utility for the year ended June 30, 1988 (in thousands):

	Balance at July 1, 1987	Increase	Deductions	Balance at June 30, 1988
Certificates of Participation	$ 501	$ 114	$ 130	$ 485
Contracts Payable	1,476		147	1,329
Revenue Bonds Payable	40,205		1,250	38,955
Total	$ 42,182	$ 114	$ 1,527	$ 40,769

The annual requirement to amortize all debt outstanding (including interest) as of June 30, 1988 is as follows (in thousands):

	1989	1990	1991	1992	1993	There-after	Total
Certificates of Participation and Contracts Payable	$ 291	$ 279	$ 273	$ 209	$ 168	$ 594	$ 1,814
Bond Interest Payable	2,611	2,538	2,459	2,374	2,284	20,496	32,762
Bond Principal Payable	1,275	1,355	1,425	1,505	1,540	31,855	38,955
Total	$ 4,177	$ 4,172	$ 4,157	$ 4,088	$ 3,992	$ 52,945	$ 73,531

The Water Utility's share of outstanding Certificates of Participation amounts to $485,000 at June 30, 1988. The Certificates bear interest rates ranging from 5.75 percent to 9.4 percent.

Contracts payable at June 30, 1988 of $1,329,000 were for Water Stock acquisition rights payable on demand to various water companies.

Revenue bonds payable at June 30, 1988 are as follows (in thousands):

$1,000,000 1960 Water Revenue Series 2 serial bonds due in annual installments from $35,000 to $40,000 through February 1, 1996; interest from 3.7 percent to 3.75 percent	$ 300
$3,500,000 1967 Water Revenue Series A serial bonds due in annual installments from $110,000 to $130,000 through June 1, 2002; interest from 4.15 percent to 4.25 percent	1,620
$1,500,000 1969 Water Revenue serial bonds due in annual installments from $50,000 through December 1, 1999; interest from 6.8 percent to 7.0 percent	600
$5,000,000 1972 Water Revenue serial bonds due in annual installments from $170,000 to $325,000 through May 1, 2002; interest from 3.0 percent to 5.6 percent	3,285
$6,900,000 1973 Water Revenue serial bonds due in annual installments from $205,000 to $435,000 through August 1, 2003; interest from 5.25 percent to 5.75 percent	4,955
$5,000,000 1974 Water Revenue serial bonds due in annual installments from $140,000 to $310,000 through December 1, 2004; interest from 7.0 percent to 7.5 percent	3,665
$2,000,000 1976 Water Revenue serial bonds due in annual installments from $55,000 to $145,000 through February 1, 2006; interest from 5.8 percent to 6.25 percent	1,525
$3,000,000 1977 Water Revenue serial bonds due in annual installments from $75,000 to $225,000 through February 1, 2007; interest from 4.9 percent to 5.75 percent	2,355
$6,600,000 1978 Water Revenue serial bonds due in annual installments from $175,000 to $410,000 through April 1, 2008; interest from 5.0 percent to 5.8 percent	5,235
$15,900,000 1985 Water Revenue bonds, $5,845,000 serial bonds due in annual installments from $260,000 to $625,000 through October 1, 2000, interest from 6.3 percent to 8.4 percent; $4,010,000 term bonds due October 1, 2005 interest at 8.5 percent; and $6,045,000 term bonds due October 1,2010 interest at 8.6 percent	15,415
Total Water Revenue Bonds Payable	$38,955

The Water Utility's bond indentures require the Utility to maintain a debt service coverage ratio, as defined in the bond covenants, of 1.50 times. The Water Utility's debt service coverage ratio was 2.0 at June 30, 1988.

3. Reserves of Retained Earnings

A reserve for debt service has been established pursuant to applicable bond indentures. The reserve for debt service at June 30, 1988 is equal to the maximum annual debt service required in future years, plus accrued interest and principal due in the next fiscal year.

4. Litigation

The Water Utility is a defendant in various lawsuits arising in the normal course of business. Management, based in part on the opinion of outside legal counsel, does not believe that the ultimate resolution of these matters will have a material effect on the financial position or results of operations of the Water Utility.

Report of Independent Accountants

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

In our opinion, the accompanying balance sheet and the related statements of income and retained earnings and of changes in financial position, after giving retroactive effect to the adjustments described in Note 1, present fairly, in all material respects, the financial position of the City of Riverside Water Utility at June 30, 1988, and the results of its operations and the changes in its financial position for the year then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the management of the City of Riverside; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above. The financial statements of the City of Riverside Water Utility for the year ended June 30, 1987, prior to restatement, were examined by other independent accountants whose report dated December 11, 1987 expressed an unqualified opinion on those financial statements.

As discussed in Note 1, the financial statements for the year ended June 30, 1987 have been restated to reflect the correction of certain accounting errors. We have reviewed the adjustments described in Note 1 that were applied to restate the 1987 financial statements. In our opinion, such adjustments are appropriate and have been properly applied to the 1987 financial statements.

Price Waterhouse

PUBLIC UTILITIES EMPLOYEES

Antoine S. Abu Shabakeh
Ernest W. Adams
Richard E. Adams
Wendy F. Adams
Raymond S. Aguilar
Richard C. Aguilera
Jerry C. Alexander, Jr.
David A. Alfaro
Arthur V. Anaya
Clarence B. Anderson
Doris R. Anderson
Kenneth A. Anderson
Leon J. Archambault
Guillermo Armenta
Alfred Arredondo
Christopher Avila
Robert S. Ayers, Jr.
Nora L. Aylward
Helen M. Azevedo
Mary S. Babin
John J. Bailey
Gloria A. Baker
Charles F. Baldwin
Michael J. Baldwin
Del R. Ballard
Frederick H. Barkley
Robert E. Barnekow
Ron W. Barry
Vahid Bazel
Ronald E. Becker
William D. Bedford, Jr.
Francis L. Beliveau
Harold J. Bell
Walter N. Bell, Jr.
Gary L. Bender
Dwight H. Benner
Bruce C. Benter
Trent W. Blair
Matthew Blais
Charles R. Bluemel
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Fernand R. Boucher
Gregory J. Bowers
Robert D. Bowes
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Robert Bracken
Thomas G. Bradshaw
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Michael E. Brown
Patrick D. Brown
Robert H. Brown
Willie L. Brown
Robert T. Buell
Gerald R. Burton
David W. Butler
Jerry G. Byrd
Debra J. Camacho
Randell S. Carder
Maria A. Carlton
Bill D. Carnahan
Carlos Castro
Leon Chagolla
Ami R. Chaudhury
Joseph Chavez
Gail L. Chavez
Joseph S. Chavez
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Jeffrey D. Clausen
Deborah C. Clausen
Cheryl E. Clelland
Danny L. Clemons
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Mark S. Connor
Cecil T. Cox
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Arnold J. Cruz
Jackie L. Cunningham
Landon R. Curlee
Carl R. Danzek
James H. Deal
Robert Delgado
John T. Denham
Gregory M. Diaz
Mercedes P. Diaz
Peter E. Diaz
Richard J. Dickinson
Kerry W. Dittler
Richard W. Dolenar
Patricia J. Doonan
Russell J. Doose
Malcolm N. Duckett
David W. Eich
Diana L. Ellis
John J. Enderson
Richard L. Ennis
Mark S. Ensign
John A. Erickson
William E. Fagan
Patrick E. Fahey
Scott L. Faust
Ronald T. Fiske
Frank R. Fitzgerald
Cindy L. Folsom
Ronald D. Frost
Gerald A. Gandara
David V. Garcia
Raoul B. Garcia
Stella L. Garcia
Yolanda C. Garcia
Steven V. Garcia
Thomas D. Garcia
Joseph A. Garozzo
Richard Gastelum
Paul R. Gearhart
Thomas R. Gibbins
George F. Gielish
Robert B. Gill
Arthur P. Gomez
Daniel M. Gomez
Veronica Gomez
Janet M. Good
Ronald W. Goodermuth
Elvin L. Gover
James G. Grady
Marilyn J. Grayston
Richard J. Greenwalt
Bacilio Gutierrez, Jr.
Luciano Guzman
John W. Hair
Ronald J. Ham
William L. Hannah
Patrick B. Hannifin
Edward P. Hansen
James H. Harmon
Robert W. Harper
Sherwin L. Harris
William W. Harris, Jr.
Lee A. Hartman
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Alfred W. Heinen
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Jack P. Henry
Patricia J. Henwood
Juan R. Hernandez
Victor H. Hernandez
Victoria M. Herrera
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Richard E. Holmes
Keith A. Hoover
James T. Hornbarger
Richard W. Houser
Woodrow Hoye
Margaret J. Huffaker
Gloria M. Humphrey
Kenneth L. Humphrey
Roger L. Hunt
Daniel Hurtado
Tam T. Huynh
Marvin L. Infante
Roger S. Jackson
Nicolaas J. Jacobs
Lester W. Jameson, Jr.
Raymond G. Jaure
John N. Johnson
James E. Johnson
Sam R. Johnson
Steven T. Johnson
Wayne L. Johnson
Robert A. Joranco
Chris A. Joranco
George E. Kelley
Jesse K. Kent
Andrew J. Kirkland, Jr.
David R. Knapp
Gus W. Knie
Randal A. Koers
Edward L. Kostjal, Jr.
Pamela M. Lawrence

David C. Lawson
Ruben M. Leivas
Jeffery J. Lewis
Peter T. Lin
Frank A. Lindholm
Paul A. Lindsay
Thomas R. Lindsay
David M. Little
Connie L. Lizarraga
Lydann R. Lord
Robert L. Lovell
Henry A. Loya
Robert L. Lucas
Michael H. Luitwieler
Tom D. Macklin
Tammy J. Mader
Arthur P. Madril
George E. Manuel
Barry W. Marshall
Tommie Marshall
Christine Martino
Peggy I. Mayer
Daniel L. McClenathan
Allison L. McDaniel
Kurt McDonald
Margery I. McDowell
Lois G. McGinnis
Richard D. McGrath
Kenneth B. McGregor
Jeffrey K. McKown
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Richard K. McKinny
David M. McLellan
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Ismael E. Mercado
Madalyn M. Mieldazis
Eddie R. Milholland
Claudie R. Miller
Donald P. Miller
Roy A. Miller
Kevin S. Milligan
William K. Modesitt
Odell Moncrief
Arthur R. Montano II
Robert A. Montano
Carol A. Morabito
Kevin D. Munns
Ray D. Neal, Jr.
Peter Nesic
Richard S. Nevarez
Rita Nicks
Barry J. Niemiec
Aileen M. Noel
Floyd Nunn
Randall W. Olgren
Charles Olivier
Darrell R. Otjen
Dwight W. Page
Joan C. Page
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Clyde B. Parker
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Gilbert S. Penunuri
Charlie R. Penunuri
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