Riverside Public Utilities
Finance 101

City Council Workshop
September 1, 2015

Agenda

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

Charter Requirements

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

- The City Charter provides for the position of Chief Financial Officer, who has responsibility for the accounting and treasury operations of the City.

- Previous to the most recent City Charter review process, the separate charter offices of Controller and Treasurer had existed since the 1950s, when these previously elected positions were converted to appointed positions.

- The functions of controller and treasurer have been vested in the Finance Director since the 1950s, though one of the Finance Department Division Managers holds the title of Controller.

- The Finance Director / Treasurer serves as the Charter-defined Chief Financial Officer (for a time an Assistant City Manager served in this capacity through 2011, during which time there was no Finance Director).

Charter Requirements:
Chief Financial Officer

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

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

Primary Obligations of City Finance Department

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

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

City Finance Department Leadership

- Brent Mason, Finance Director / Treasurer
  - 21 years with the City
  - 28 years in government finance
  - BS Accounting, Certified Public Accountant (Inactive)

- Scott Catlett, Assistant Finance Director
  - 9 years with the City
  - 15 years in government finance
  - BS Finance, Master of Public Administration

- Senior Management Team
  - Yenise Peoples, Financial Systems Manager
  - Edward Enriquez, Controller
  - Mike Gomez, MPA, Financial Resources Manager
  - Art Torres, CPM, Purchasing & Risk Manager
Department Fiscal Staffing

• All City Departments have fiscal staff
  – The number of staff is dependent on the size of the department and the complexity of the department finances
  – Smaller departments may only have a single analyst
  – Larger departments such as RPU have an entire Finance Division

• As the City’s largest department, RPU has the largest fiscal staff, including those with unique utility expertise
  – Setting and monitoring of utility rates
  – Complex issues relative to industry regulation
  – Unique accounting aspects of power portfolio management
  – More frequent and thorough department-specific financial reporting

RPU Finance Division Structure

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

- Laura Nomura, AGM for Finance and Administration
  - 9 years with the City
  - 25 years in government finance and audit
  - BS Accounting, Certified Public Accountant

- Senior Management Team
  - Aileen Ma, CPA, Utilities Fiscal Manager
  - Brian Seinturier, CPA, Utilities Fiscal Manager
  - William Obeid, Business Systems Manager
  - Jennifer Tavaglione, CIS Project Manager

Accounting Functions

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

- Treasury – entirely a City Finance Department Function

- Payroll – entirely a City Finance Department Function
Accounting Functions (Cont.)

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

Budget and Debt Functions

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

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

Purchasing and Risk Functions

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

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

City Cost Allocation Plan

- Large government agencies centralize certain functions to reduce costs
  - Finance
  - Human Resources
  - Information Technology
  - Other Central Services
- These costs are typically recovered through a cost allocation plan
City Cost Allocation Plan (Cont.)

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

Historically the City has prepared an in-house cost allocation plan for approximately 20 years

In 2013, the City outsourced the cost allocation plan to an expert consulting firm – NBS – due to a desire to:
- Address the pending retirement of the in-house expert
- Address inefficient utilization of staff time due to the cyclical nature of the plan
- Incorporate industry best practices
Cost Allocation FY 2014/15

Total GF Cost Allocation to RPU: $11,116,456

Electric – City Cost Allocation Trend
The trend in cost allocations to RPU is primarily a function of two things:

- The size of the General Fund cost pools to be allocated (primarily staff and compensation-driven)
- The size of the RPU budget, staff, and non-personnel spending relative to the citywide total

Accordingly, trends are primarily attributable to these two factors.
Cost Allocation Trend Analysis (Cont.)

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

Interfund Loans Explained

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

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

Interfund Loans Explained

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

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

RPU Interfund Loan Information

- There have been no interfund loans made from or moved to the Electric or Water Funds since that time other than:
  - Riverside Golf Course loan related to property sale ($4.8M)
  - Reid Park loan related to property sale ($720K)
- These two outstanding interfund loans
  - Have been deemed to be enforceable obligations
  - Will be repaid by the Redevelopment Successor Agency
  - Must follow the original City Council and RPU Board-approved amortization schedule under state law
  - Will be repaid over the next 15 years
Overview of Propositions 218, 26 and Other

Proposition 218

• Approved by voters in 1996
• Amended California Constitution
• Requires voter approval prior to imposition or increase of general taxes, assessments, and certain user fees
• Utility rates may not exceed the cost of providing the service.
• Any excess subject to voter approval
• Applies to water, sewer and refuse rates
• Does not apply to electric rates
Proposition 218: Process Approval of Rates

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

Proposition 26

• Approved by voters in 2010
• Amended California Constitution
• Reaction to *Sinclair Paint Co. v State Board of Equalization*
  – 1997 California Supreme Court case
  – Upheld state fees imposed on business that made products containing lead
  – Fee funded health services to children and to mitigate lead contamination
  – Court upheld the fee as a regulatory fee
Proposition 26

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

Proposition 26 – Seven Exemptions

• One: charge for a specific benefit granted directly to payer
  – Can’t exceed reasonable cost
  – Example: License or franchise
• Two: charge for a specific service provided directly to the payer
  – Can’t exceed reasonable cost
  – Example: park services, electric rates
• Three: charge for a reasonable regulatory cost
  – Can’t exceed reasonable cost
  – Example: licenses, permits, inspections
Proposition 26 – Seven Exemptions

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

Proposition 26 – “Eighth” Exemption

• Charge adopted prior to 1/1/10
  – “Grandfathered”
  – Applies to all fees, assessments, levies
General Fund Transfer

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

Other Legal Issues

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

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Annual Budget

• Meet Strategic Objectives

• Operating Budget
  – Balanced budget
  – Key components – operation and maintenance, power supply, debt service, General Fund transfer, special programs

• 5-Year Capital Improvement Program (CIP)
  – Improve system reliability
  – Replacements and upgrades
  – Services to new customers
  – Affordable within current rate plan
## BUDGET TIMELINE

<table>
<thead>
<tr>
<th>Jul</th>
<th>Aug</th>
<th>Sept</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
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<td>City &amp; General Manager Budget Directives</td>
<td>Department Preparation of Budget Submittals</td>
<td>Board of Public Utilities Budget Workshop</td>
<td>Department Budget Submittals to City Manager</td>
<td>Public Hearing - Public Participation</td>
<td>City Council Final Adopted Budget</td>
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3. Board of Public Utilities Budget Workshop April
4. Department Budget Submittals to City Manager Mar. – Apr.
5. Public Hearing - Public Participation May
6. City Council Final Adopted Budget June

## RPU Budget Cost Centers Structure

**Department Summary**

- **Electric**
  - Administration
  - Operations
  - Capital Projects
  - Public Benefits
- **Water**
  - Administration
  - Operations
  - Capital Projects
  - Water Conservation
- **Central Stores**

**Electric**

- Management Services ( Ravens )
- Building Occupancy
- Business System Support
- Utility Billing
- Field Services
- Customer Services
- Marketing & Communications
- Legislative & Regulatory Risk
- Debt Service
- General Fund Transfer ( GFT )
- Production & Operation
- Field Operations
- Energy Delivery Engineering
- Power Resources
- Power Supply
- SOTINGS
- Springs Generation
- R.E.R.C.
- Cleawater

**Water**

- Water-Production & Operation
- Water Field Operations
- Water Eng. & Maintenance
- Debt Service
- General Fund Transfer ( GFT )

**Central Stores**

- Power Resources
- Finance & Administration
- Energy Delivery
- Electric Capital Projects
- Water Delivery
- Water Capital Projects
- Customer Service & Marketing
Riverside Public Utilities

**FY 15/16 Revenue Budget**

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

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**FY 15/16 Budget**

- **Power Resources**: $222.1 M
- **Finance & Admin.**: $121.2 M
- **Energy Delivery**: $33.1 M
- **Electric Capital Projects**: $30.6 M
- **Water Delivery**: $45.2 M
- **Water Capital Projects**: $16.1 M
- **Cust. Serv. & Mkt**: $28.9 M
- **Total**: $497.2 M
RPU – Percentage of City Budget

![Pie chart showing RPU and All Other City Dept. percentages of the total City Budget]

- **Riverside Public Utilities (RPU)**: $497.2 M
- **All Other City Departments**: $485.8 M
- **Total City Budget**: $983.0 M

**Riverside Public Utilities**

**RPU GM Directives**

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

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

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Operating Budget – Affordability

• Major Revenue Sources
  – Retail Revenue based on forecasted load and current rate plan
  – Transmission Revenue (Electric)
  – Other Operating Revenues
  – Water Conveyance Revenues (Water)
  – Investment Income

• Projected Revenue to cover Projected Expenses
• Specific circumstances may require use of reserves
Capital Improvement Program

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

• Recurring Projects
  – Services to new customers
  – Replacements (Meters and Transformers)
  – Small scale improvements and rebuilds

• System Improvements
  – Major Projects
  – System Upgrades
  – Main Replacements

• Projects Driven by Others
  – Street-widening Projects
  – Rehabilitation Projects

Electric Utility – CIP Trend

<table>
<thead>
<tr>
<th>IN MILLIONS</th>
<th>Avg. 10 Year CIP Budget</th>
<th>Avg. 10 Year CIP Actuals</th>
<th>FY 15/16 Budget</th>
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<td>$33.9 M</td>
<td>$31.8 M</td>
<td>$30.6 M</td>
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</table>
Water Utility – CIP Trend

Avg. 10 Year CIP Budget: $27.3 M
Avg. 10 Year CIP Actuals: $23.4 M
FY 15/16 Budget: $16.1 M

Electric Utility Budget
Electric Utility
FY 15/16 Revenue Budget

- Residential: $116.3 M (31%)
- Commercial: $72.4 M (20%)
- Industrial: $120.3 M (32%)
- Other Retail Sales: $4.8 M (1%)

Total Retail Electric Sales: $313.8 M

- Other Operating Revenues: $8.0 M
- TRR Revenue: $32.0 M
- Other Revenues *: $17.5 M

Total Electric Revenues: $371.3 M

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

FY 2015/16 Operating Budget
Electric Utility – Retail Revenues

- Actual 2013/14: $296 M
- Budget 2014/15: $304 M
- Budget 2015/16: $314 M

6.1% increase from 2013/14 to 2015/16
Electric – Other Revenues

Approx. 16% of all Electric revenues
- Transmission Revenues
- Cap and Trade Auction Proceeds*
- Misc. Service Revenues (48-hr tags)
- Investment Income
- Contributions in Aid of Construction
- Public Benefit Programs*

*restricted funds
Electric Utility
FY 15/16 Operating Budget

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

Electric – Operating Budget Trend

FISCAL YEAR

- 2007
- 2008
- 2009
- 2010
- 2011
- 2012
- 2013
- 2014
- 2015
- 2016

IN MILLIONS

- $0
- $50
- $100
- $150
- $200
- $250
- $300
- $350
- $400

O & M
Debt Service
GFT
FY 2015/16 Operating Budget
Electric Fund Summary

<table>
<thead>
<tr>
<th>Year</th>
<th>O&amp;M &amp; M</th>
<th>Capital Improvements</th>
<th>General Fund Transfer</th>
<th>Debt Services</th>
<th>Personnel Services</th>
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<td>FY 14/15 Budget</td>
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<td>FY 15/16 Budget</td>
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FY 2015/16 Operating Budget
Electric Utility – Power Supply Trend

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<th>Year</th>
<th>Renewables</th>
<th>Capacity &amp; Energy</th>
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<td>FY 14/15 Budget</td>
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<td>FY 15/16 Budget</td>
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<td>FY 16/17 Projected</td>
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<td>FY 17/18 Projected</td>
<td>$218.1 M</td>
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Power Supply Budget

What is SCPPA

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

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

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SCPPA – 6 Original Projects

- Palo Verde (1981)
- Mead-Adelanto (1992)
- Hoover Uprating (1986)
- Southern Transmission System (1983)
- Mead-Phoenix (1992)
- San Juan (1993)
Does not include other regulatory mandates such as FERC, NERC, CAISO, CARB, SCAQMD, EPA, CFTC, etc.,

SCPPA Today – 33 Current Projects

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

- Board of Directors
- Executive Committee
- Finance Committee

SCPPA Today – Current Member Committees

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

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

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

*Energy efficiency is a resource*

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**Joint Services- Planning for Utility of the Future**

- Decentralized resources
- Plug & play service
- Two way distribution power system
- Distribution grid operator
- Technology innovations
- 50% RPS
- Likely more mandates to come…
- Economies of scale reduces RPU rate increases
- Member benefits from SCPPA will increase
- Integrating demand & supply
- Technology innovations
- EPA restrictions
- Renewable integration
- AQMD NOx Shave
- Regulation mandates
- Clean energy standard
- National mandates
- Compliance reporting
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RPU’s Use of SCPPA Procurement

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

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RPU’s Use of SCPPA Procurement

SCPPA offers planning services for participation in joint projects, including

- **Efficiency Programming:**
  - Refrigerator recycling
  - Energy efficiency direct install program

- **Power Resources**
  - Joint power projects
  - Regulatory, transmission consulting

- **Administration**
  - APPA Dues, Moody’s credit monitoring

- **Training & consulting**

- **Intern program** – succession planning & grow your own

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SCPPA Legal Services

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

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Member Benefits - Economies of Scale

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

From few examples listed - Savings > $1M/year
Many more unquantified….
**RPU Total Electric Budget v. Power Supply v. SCPPA Projects v. SCPPA Resolutions**

![Bar Chart](chart.png)

**Conclusions – SCPPA Activities are Appropriate**

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

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

Power Supply Budget Input Sources

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

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

Invoices
- For line items without prepared budget projections, RPU uses the most recent fiscal year of actual invoiced costs to form a budget projection of future costs
- In most cases, an inflationary growth rate of 2.0% is used in forming these budget projections
### Power Supply Budget Input Sources

<table>
<thead>
<tr>
<th>RPU</th>
<th>When budget projections and invoices are not available, RPU forms budget projections based on other information available and historical practices and procedures.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Additional calculations are often required alongside all of the previously identified input sources to arrive at the final budget projection for a particular line item. Situations when this occurs typically involve instances when multiple input sources are used in forming budget projections as well as in applying growth or inflationary rates to budget line items.</td>
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</tbody>
</table>

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

### Power Supply Budget Categories: From Budget Summary

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

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### Power Supply Budget Categories: Transmission Cost Line Items

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Description</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mead-Adelanto Project</td>
<td>Debt Service, O&amp;M, A&amp;G, Taxes, Capital Improvements</td>
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<tr>
<td>Mead-Phoenix Project</td>
<td>Debt Service, O&amp;M, A&amp;G, Taxes, Capital Improvements</td>
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<tr>
<td>Southern Transmission System (STS)</td>
<td>Debt Service, O&amp;M, A&amp;G</td>
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<tr>
<td>Northern Transmission System (NTS)</td>
<td>Debt Service, O&amp;M, A&amp;G</td>
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<tr>
<td>SCE Firm Transmission</td>
<td>Cost of SCE Firm Transmission based on invoices</td>
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<tr>
<td>SCE Wholesale Distribution Access Tariff</td>
<td>Cost of SCE WDAT based on invoices</td>
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<tr>
<td>LADWP Service Agreements</td>
<td>Cost of access to LADWP transmission</td>
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<tr>
<td>CAISO Transmission Access Charge</td>
<td>Cost of serving load via CAISO's high voltage transmission</td>
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<tr>
<td>CAISO Transmission Charges</td>
<td>Cost of CAISO invoiced transmission charges</td>
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### Power Supply Budget Categories: Net Energy Cost Line Items

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<th>Line Item</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Total Generation Cost</td>
<td>Cost of energy from RPU's power resources</td>
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<tr>
<td>Net Cost of Market Purchases</td>
<td>Cost to serve load not met with RPU's resources</td>
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<tr>
<td>Market Contingency Reserve</td>
<td>Risk adder to reflect future market uncertainty</td>
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<tr>
<td>Congestion Revenue Right Auction Cost</td>
<td>Cost to acquire CRRs to hedge against congestion</td>
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<tr>
<td>CAISO Energy Charges</td>
<td>Cost of CAISO invoiced energy charges</td>
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### Power Supply Budget Categories: Capacity Cost Line Items

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<th>Description</th>
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<tr>
<td>Hoover</td>
<td>Debt Service, A&amp;G, Fixed Operating Charges</td>
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<tr>
<td>Intermountain Power Project</td>
<td>Debt Service, O&amp;M, Fixed Fuel Costs</td>
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<tr>
<td>Resource Adequacy</td>
<td>Cost to purchase added capacity to meet 115% reserve margin</td>
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<tr>
<td>Ice Bear Installation</td>
<td>Cost of ICE Bear Pilot Project installations</td>
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<tr>
<td>Ice Bear O&amp;M</td>
<td>Ice Bear O&amp;M Cost</td>
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**Source**

RiversidePublicUtilities.com

### Power Supply Budget Categories: SONGs Cost Line Items

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<th>Line Item</th>
<th>Description</th>
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<tbody>
<tr>
<td>Professional Services</td>
<td>Cost for consulting services related to decommissioning</td>
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<tr>
<td>Outside Legal Services</td>
<td>Cost to employ attorneys for decommissioning activities</td>
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<tr>
<td>Decommissioning Fund Expense</td>
<td>Interest earned on Trust Account</td>
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<tr>
<td>O&amp;M – Maintenance &amp; Repair</td>
<td>Ongoing O&amp;M cost at SONGs</td>
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<tr>
<td>Insurance Charges</td>
<td>Cost of insurance</td>
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<tr>
<td>Taxes &amp; Assessments</td>
<td>Cost of taxes based on SONGs site</td>
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<tr>
<td>Decommissioning Operations</td>
<td>Funded from Trust Account as SONGs is currently undergoing decommissioning</td>
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**Source**

RiversidePublicUtilities.com
### Power Supply Budget Categories: Other Cost Line Items

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Description</th>
<th>Source</th>
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<tbody>
<tr>
<td>Gas Burns &amp; Net Hedge Cost</td>
<td>Cost of gas burned to run Internal Generation and Gas Hedge mark-to-market</td>
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<td>Contingency Generating Plants</td>
<td>Emergency fund for Internal Generation maintenance</td>
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<td>GHG Regulatory Fees</td>
<td>Fees related to California’s Cap-and-Trade Program</td>
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### Power Supply Budget Categories: Revenue Line Items

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<tr>
<th>Line Item</th>
<th>Description</th>
<th>Source</th>
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<tbody>
<tr>
<td>Transmission Revenue Requirement (TRR)</td>
<td>Compensation from the CAISO for its use of RPU’s transmission entitlements, based on RPU’s FERC-approved TRR filing</td>
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<tr>
<td>CO2 Allowance Auction Revenue</td>
<td>Proceeds from selling CO2 Allowances in Cap-and-Trade Quarterly Auctions</td>
<td></td>
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</table>
Transmission Revenue Requirement (TRR) History

Total TRR Revenue (Since Inception): $293,889,312

Fiscal Year: 2003 to 2015

Thousands

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

Power Resource Budget Projections - Primary Metrics

Ascend Study & Date
Capacity Costs
Other Fixed Costs
SONGs Costs

RiversidePublicUtilities.com
### Power Supply Budget Tour: Transmission Cost & TRR

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</table>

**Total Transmission Cost:** $48,023

### Power Supply Budget Tour: Resource Generation (MWh)

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**Total Resource Generation (MWh):** $65,000
### Power Supply Budget Tour: Energy Cost

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**Total Energy Cost by Resource**

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

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

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**Forecast CO2 Emissions by Resource**

**CO2 Cost by Resource**

**CO2 Allowances & Auction Revenue**
### Power Supply Budget Tour: Generation Revenue from CAISO

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<td>Northside CAISO Sales (MWh)</td>
<td>$1,444,610</td>
<td>$1,540,315</td>
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<td>Northside CAISO Revenue</td>
<td>$1,380,638</td>
<td>$1,474,050</td>
<td>$1,683,172</td>
<td>$1,680,406</td>
<td>$1,718,718</td>
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<tr>
<td>120</td>
<td>RPS w/ all financial returns</td>
<td>$1,380,638</td>
<td>$1,474,050</td>
<td>$1,683,172</td>
<td>$1,680,406</td>
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<td>Generation - Multimonths</td>
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<td>$913,138</td>
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<td>124</td>
<td>IPP Doherty - Emissions</td>
<td>$1,380,638</td>
<td>$1,474,050</td>
<td>$1,683,172</td>
<td>$1,680,406</td>
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<td>Paloma - Multimonths</td>
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<td>$1,474,050</td>
<td>$1,683,172</td>
<td>$1,680,406</td>
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<td>130</td>
<td>Total Revenue</td>
<td>$1,380,638</td>
<td>$1,474,050</td>
<td>$1,683,172</td>
<td>$1,680,406</td>
<td>$1,718,718</td>
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### Power Supply Budget Tour: Gross Load, Net CAISO Purchases, & Fuel

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<td>Gross Load (includes internal gen.) in MWh</td>
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<td>Generation/Load - Load &amp; Generation</td>
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<td>Net CAISO Energy Position</td>
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<td>Net Market Purchases or Sales in MWh</td>
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<td>Total Gross (MWh)</td>
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<td>Gross Load - Multimonths</td>
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<td>Gross Load - Multimonths</td>
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<td>Gross Load - Multimonths</td>
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<td>Total Gross</td>
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### Notations
- **Total Generation (MWh)**
- **Generation Revenue by Resource**
- **Net CAISO Purchases & Market Contingency Reserve**
- **Internal Generation Fuel Burn, Fuel Cost, & VOM Cost**
## Power Supply Budget Tour: Summary

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<th>FY 194/195</th>
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<td>$202,439</td>
<td>$210,908</td>
<td>$219,315</td>
<td>$221,811</td>
<td>$237,998</td>
<td>$247,332</td>
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<td>Gross Costs</td>
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<td>$202,439</td>
<td>$210,908</td>
<td>$219,315</td>
<td>$221,811</td>
<td>$237,998</td>
<td>$247,332</td>
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<td>$187,842</td>
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**Power Supply Budget Tour: Summary**

- Gross Costs & Revenues
- Costs by Budget Category
- Revenues by Budget Category
- Total Budget
- Select Categories Normalized to Load

RiversidePublicUtilities.com

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**Water Utility Budget**

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RiversidePublicUtilities.com
Water Utility
FY 15/16 Revenue Budget

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

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

FY 2015/16 Operating Budget
Water Utility – Retail Revenues

- Actual 2013/14: $69M
- Budget 2014/15: $56M
- Budget 2015/16: $56M

- 10.7% decrease from Actual 2013/14 to Budget 2014/15
- Retail Revenues
FY 2015/16 Operating Budget

Water Utility – CCF Sales

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<td>Actual 2013/14</td>
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13.8% decrease from actual 2013/14 to budget 2015/16.

Water – Other Revenues

Approx. 19% of all Water revenues

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

*restricted funds
**internally restricted funds
Water Utility
FY 15/16 Operating Budget

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

Water – Operating Budget Trend

RiversidePublicUtilities.com
FY 2015/16 Operating Budget

Water Fund Summary

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<thead>
<tr>
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<th>FY 14/15 Budget</th>
<th>FY 15/16 Budget</th>
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<td>General Fund Transfer</td>
<td>$80.5 M</td>
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<td>Personnel Services</td>
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<td>O &amp; M</td>
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Other Budget Items
 Calculation of General Fund Transfer  
 Prelim FY 15-16

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<td>Gross Operating Revenue</td>
<td>$342,003,020</td>
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<td>General Fund Transfer Rate</td>
<td>x 11.5%</td>
<td>x 11.5%</td>
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<td>General Fund Transfer FY 2015-16</td>
<td>$39,330,300</td>
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<td>GFT FY 2014-15</td>
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<td>Projected increase (decrease)</td>
<td>$ 1,151,900</td>
<td>$(594,600)</td>
<td>$ 557,300</td>
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FY 15/16 GFT represents 18% of City’s General Fund budget.

What is included in gross operating revenue?

- All Retail Sales, net of bad debt
- Other operating Revenues:
  - Service Connect Fees
  - Misc. Service Revenues
  - Transmission Revenue Requirement
  - Other Operating Revenues
What is not included in gross operating revenue?

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

Electric and Water Budget Affordability Analysis
Electric Utility
FY 15/16 Operating Budget

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

Electric Utility – FY 15/16 Affordability Analysis

FY 15/16

Total Electric Revenue Budget $371,270,443
Less: CIA, Gains/Loss, Grants, Public Benefit (11,025,800)
Projected Revenues 360,244,243
Rate Funded CIP (3,782,000)
Net Revenues Available 356,462,243
Use of reserve for SONGS Closure costs 900,000
Use of reserve for prepay. of future energy costs 2,305,931
Total use of Operating Reserves 3,205,931
Total Revenues and Reserves 359,668,174
Total Electric Operating Budget 395,801,511
Less: Capital Improvements (30,612,000)
Expenditure w/o Capital Outlay 365,189,511
Estimated Personnel Vacancy (6%) (3,456,637)
Non Cash Items in budget (174,000)
Remove Contingency Generating Plants (2,200,000)
Projected Expenses 359,158,874
Net Budget Excess (Shortfall) $509,300
Water Utility
FY 15/16 Operating Budget

- O & M: $23.3 M
- Personnel Services: $22.0 M
- Debt Service: $17.1 M
- Capital Improvements: $16.1 M
- General Fund Transfer: $6.5 M
- Water Conservation: $2.5 M

Total Budget (less Water Cons.): $85.0 M

Water Utility – FY 15/16 Affordability Analysis

- Total Water Revenue Budget: $69,151,007
- Less: CIA, Gain/Loss, Grants, Water Conservation: ($1,421,633)
- Projected Revenues: $67,729,374
- Water Conservation: $1,421,633
- Rate Funded CIP: $1,040,018
- Net Revenues Available: $61,738,756
- Use of Operating Reserve for operations: $4,150,166
- Total Revenues and Reserves: $65,888,922
- Total Water Operating Budget: $85,012,056
- Less: Capital Improvements: ($16,095,002)
- Expenditure w/o Capital Outlay: $68,917,054
- Estimated Personnel Vacancy (9.5%): ($2,092,516)
- Non-Cash Items in budget: $105,000
- Non-Cash Items related to Hillwood: $1,040,018
- Projected Expenses: $65,888,922
- Net Budget: $0
Public Benefit Charge
&
Water Conservation Surcharge Programs

Public Benefit Charge (PBC) Overview

Public Benefit Charge – AB 1890 (2006)
Mandated State Charge
2.85% min. Charge on all Electrical Sales

Electrical Program Areas:
- Energy Efficiency
- Research Design & Development (RD&D)
- Low Income Assistance
- Renewable Energy
FY 2015/16 Operating Budget

Public Benefit Programs Budget

<table>
<thead>
<tr>
<th></th>
<th>FY 13/14 Actual</th>
<th>FY 14/15 Budget</th>
<th>FY 15/16 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint Programs / SCPAA</td>
<td>$8.0 M</td>
<td>$12.3 M</td>
<td>$14.0 M</td>
</tr>
<tr>
<td>Special Programs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>O &amp; M</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

RiversidePublicUtilities.com

Public Benefit Programs Fund Balance

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Balance at 6/30/2014</td>
<td>$9,731,710</td>
</tr>
<tr>
<td>Projected FY 14/15 Revenue</td>
<td>8,706,000</td>
</tr>
<tr>
<td>Less: Projected FY 14/15 Expenditures</td>
<td>(12,314,387)</td>
</tr>
<tr>
<td><strong>Projected Fund Balance at 6/30/2015</strong></td>
<td><strong>$6,123,323</strong></td>
</tr>
<tr>
<td>Projected FY 15/16 Revenue</td>
<td>8,972,800</td>
</tr>
<tr>
<td>Less: Projected FY 15/16 Expenditures</td>
<td>(13,966,551)</td>
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<tr>
<td><strong>Projected Fund Balance at 6/30/2016</strong></td>
<td><strong>$1,129,572</strong></td>
</tr>
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</table>

RiversidePublicUtilities.com
PBC Fund Disbursement FY14/15

- Energy Efficiency
- RD&D (Including Grants)
- Solar
- Low Income (SHARE, ESAP, Reliability Charge)

PBC – Commercial Programs

- Heating, Ventilation, & Air Conditioning (HVAC)
- Energy Star
- Lighting Incentives
- Energy Management Systems (EMS)
- Premium Motor Incentives
- Tree Power
- Small Business Direct Installation*
- Keep Your Cool Program*

- Photovoltaic System
- Weatherization
- Thermal Energy Storage
- Performance Based Incentives (PBI)
- Custom Energy Technology Grants
- Key Account Energy Efficiency Programs (KEEP)*
- Energy Innovation Grant (EIG)

*SCPPA Contract

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PBC Funded Commercial Programs FY 14/15

PBC – Residential Programs

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

*SCPPA Contract
PBC Funded Residential Programs
FY 14/15

PBC FY 14/15 AB 1890 Results

$1% kWh Savings Goal for FY 14/15

<table>
<thead>
<tr>
<th></th>
<th>Target</th>
<th>Savings</th>
<th>% of Goal</th>
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<tbody>
<tr>
<td>YTD</td>
<td>19,099,000</td>
<td>19,285,300</td>
<td>101%</td>
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</tbody>
</table>
Water Conservation Surcharge Overview

Water Conservation Surcharge:
Passed by City Council – 2004
– 1.5% min. Charge on all Water Sales
– Fund Water Conservation Programs

Renewed by City Council 2014

FY 2015/16 Operating Budget
Water Conservation Surcharge Budget

<table>
<thead>
<tr>
<th>Year</th>
<th>Special Programs</th>
<th>O &amp; M</th>
<th>Personnel Services</th>
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<tr>
<td>FY 13/14 Actual</td>
<td>$0.8 M</td>
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<td>FY 14/15 Budget</td>
<td>$2.3 M</td>
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<tr>
<td>FY 15/16 Budget</td>
<td>$2.5 M</td>
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Water Conservation Surcharge

Fund Balance

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<th>Description</th>
<th>Amount</th>
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<tr>
<td>Fund Balance at 6/30/2014</td>
<td>$ 2,498,495</td>
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<tr>
<td>Projected FY 14/15 Revenue</td>
<td>895,000</td>
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<tr>
<td>Add: City Council approved funding from WMWD</td>
<td>4,700,000</td>
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<tr>
<td>Add: Transfer in from the Water Fund (City Council approved)</td>
<td>1,000,000</td>
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<tr>
<td>Less: Projected FY 14/15 Expenditures Budgeted</td>
<td>(2,287,506)</td>
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<tr>
<td>Less: FY 14/15 Additional Appropriations for Water Turf Programs</td>
<td>(4,700,000)</td>
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<td>Projected Fund Balance at 6/30/2015</td>
<td>$ 2,105,989</td>
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<td>Projected FY 15/16 Revenue</td>
<td>850,300</td>
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<td>Less: Projected FY 15/16 Expenditures</td>
<td>(2,457,718)</td>
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<td>Projected Fund Balance at 6/30/2016</td>
<td>$ 498,571</td>
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Residential Programs
- Waterwise Landscape
- Weather Based Irrigation Controllers (WBIC)
- High Efficiency Sprinkler Nozzles
- High Efficiency Toilets (HET)
- High Efficiency Clothes Washer (HECW)
- FreeSprinklerNozzles.com
- Smart Irrigation Program*
- Landscape Audits
- Community Education

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

* Direct Installation (DI)
Rates, Revenues and Trends
Electric – Rate Comparison

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

- Weighted Average Rate: $135
- Average Rate: $127

Water – Rate Comparison

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

- Weighted Average Rate: $100
- Average Rate: $73

* Drought rates in effect
Electric Rate Increases Last 20 Years

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

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

- Expanded Main Replacement
- Tilden Reservoir
- Expanded Main Replacement
- Expanded Main Replacement
- Water Supervisory Control and Data Acquisition (SCADA) System
- Expanded Main Replacement
- Waterman Pipeline Replacement
- Mockingbird Canyon Dam
- Expanded Main Replacement
- JW North
- Water System Relocations
- Transmission Mains
- Facility Rehab.
- Pump Station Replacements
- Whitegates I & II Reservoirs
- Evans Reservoir
- Seven Oaks Dam
### RPU Current Rates

<table>
<thead>
<tr>
<th>Rate Type</th>
<th>Electric</th>
<th>Water</th>
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<tbody>
<tr>
<td>Residential / Domestic</td>
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<tr>
<td>Domestic Time of Use</td>
<td>X</td>
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<tr>
<td>Commercial / Industrial / Contract</td>
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<td>X</td>
</tr>
<tr>
<td>Economic Development / Business Retention / Temporary Economic Development</td>
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<tr>
<td>Net Energy Metering</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Feed-in Tariff</td>
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<tr>
<td>Street / Outdoor Lighting</td>
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<tr>
<td>Agricultural &amp; Pumping / Wind Machines</td>
<td>X</td>
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<tr>
<td>Stand-By-Service</td>
<td>X</td>
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</tr>
<tr>
<td>Traffic Control Service</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Irrigation / Grove Preservation</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Riverside Water Company Irrigators / Greenbelt Irrigation</td>
<td></td>
<td>X</td>
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<tr>
<td>Special Landscape</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Fire Protection / Fire Hydrants / Temporary Service</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Recycled Water</td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

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### RPU Rates

- Easy to Understand & Administer
- Improves Planning & Decision Making
- Avoids Rate Shock
- Provides Accurate Price Signal – Conservation/ Efficient Usage
- Avoid Inter-class & Intra-class Rate Subsidies
- Public Hearing
- RPU Board
- City Council

RiversidePublicUtilities.com
Key Issues Affecting Rates/Revenues

Electric & Water:
- Fixed vs. Variable Revenues & Expenses

Ideal Fixed/Variable Balance

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
<td>Variable</td>
</tr>
<tr>
<td>Fixed</td>
<td>Fixed</td>
</tr>
</tbody>
</table>
Electric Fixed/Variable Balance

Revenues
- 85% Variable
- 15% Fixed

Costs
- 31% Variable
- 69% Fixed

Water Fixed/Variable Balance

Revenues
- 75% Variable
- 25% Fixed

Costs
- 10% Variable
- 90% Fixed
The Residential Customer Bill

Electric

Inclining Tiers
Electric

Electricity Charge: Variable charge based on usage.
State Energy Tax: Pass through to the State.
Reliability Charge: Fixed charge to cover debt service related costs.
Customer Charge: Fixed charge to recover costs such as meter reading, billing, customer service, and administration.

Water

Inclining Tiers
Converts CCF to Gallons

RiversidePublicUtilities.com
Water

Water Charges: Variable charge based on usage.

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

City Services

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

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

Water Conservation Surcharge: A 1.5% of water charges to fund water conservation programs.
Message & Payment Card

RIVERSIDE PUBLIC UTILITIES
PAYMENT CARD

PAYMENT BY MAIL: Envelope card with remittance payable to Riverside Public Utilities in the envelope provided.
PAYMENT BY PERSON: Bring active bill to an authorized payment station. (See insert for payment locations)

SUMMARY OF CURRENT AMOUNT DUE
WATER: $93.34
ELECTRICITY: $304.10
CITY GRAVES: $92.23

BILLING DATE: PLEASE PAY BY:
06/01/15

PAYMENT DUE: TOTAL AMOUNT DUE:
$495.67

PLEASE PAYCHARGE
PLEASE PAY:
$95.67

ACCOUNT NUMBER:

RIVERSIDE PUBLIC UTILITIES

Back of the Customer Bill

Important Drought Update:
New Water Conservation Restrictions

In June, the city council adopted new water conservation policies to reflect the critical water situation at the City of Riverside. The new restrictions are based on the mandatory 25% reduction of water usage. Customers with high water usage will be subject to fines.

For more information, please visit www.riversidepublicutilities.com/conservation.

Conservation Tips:
- Fix leaks immediately.
- Use water-efficient appliances.
- Water your lawn in the early morning or late evening.
- Use a broom instead of a water hose to clean driveways and sidewalks.

Important Conservation Measures:
- Xeriscape your yard.
- Replace grass with drought-tolerant plants.
- Use native plants.

Conservation is everyone’s responsibility. Thank you for doing your part.

Riverside Public Utilities
www.riversidepublicutilities.com
Value of RPU Water

- $1.95 per cup
- $3.96 per gallon
- $1.67 per bottle
- Less than $0.01 per gallon

Key Issues Affecting Rates/Revenues

Electric & Water:
- Fixed vs. Variable Revenues & Expenses
- Conservation & Efficiency

Electric:
- Distributed Generation – Solar PV

Water:
- Mandatory Drought Restrictions
Rate Model 1.0 will not work for Utility 2.0

How rooftop solar can impact revenue
How energy efficiency can impact revenue

RiversidePublicUtilities.com

How rooftop solar and energy efficiency can impact revenue

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

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

Rates 1.0 must evolve to Rates 2.0

<table>
<thead>
<tr>
<th>Rate Type</th>
<th>Electric</th>
<th>Water</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential / Domestic</td>
<td>X</td>
<td>X</td>
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<td>X</td>
</tr>
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<td>Feed-In Tariff</td>
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<td>X</td>
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<td>Riverside Water Company Irrigators / Greenbelt Irrigation</td>
<td>X</td>
<td></td>
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<td>Special Landscape</td>
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<td></td>
</tr>
<tr>
<td>Fire Protection / Fire Hydrants / Temporary Service</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Recycled Water</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>
Electric – Retail Sales
FY 2015 Preliminary

Revenue
- Residential (38%) 37%
- Commercial (23%)
- Industrial/Contract (2%)
- Other (2%)

Meters
- Residential (99,152) 10%
- Commercial (10,777)
- Industrial/Contract (910)
- Other (100) 89%

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

Electric - Historical Retail Sales
FY 2015 Preliminary

Revenue (in millions)
- Residential
- Commercial
- Industrial/Contract
- Other
Electric Residential Distribution

Residential Consumption Profile FY 2014

Monthly kWh Usage Range

- Customers
- % Within Range

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Electric Residential Distribution

Residential Revenue FY 2014

kWh Usage Range

- Annual Revenues
- % Within Range

RiversidePublicUtilities.com
Water – Retail Sales
FY 2015 Preliminary

Revenue

- Residential (36.8M) 64%
- Commercial (10.0M) 17%
- Industrial (9.0M) 16%
- Other (1.9M) 3%

Meters

- Residential (59,276) 90%
- Commercial (5,392) 8%
- Industrial (438) 1%
- Other (362) 1%

Water - Historical Retail Sales
FY 2015 Preliminary

Revenue (IN MILLIONS)

- Residential
- Commercial
- Industrial/Contract
- Other

Water – Residential Distribution

Residential Consumption Profile FY 2014
(Inside City Limits)

- Number of Customers
- % Within Range

Monthly CCF Usage Range:
- 0-10
- 11-20
- 21-30
- 31-40
- 41-50
- 51-60
- 61-70
- >=71

% Within Range:
- 0.0%
- 5.0%
- 10.0%
- 15.0%
- 20.0%
- 25.0%
- 30.0%
- 35.0%
- 40.0%

Water – Residential Distribution

Residential Revenue FY 2014
(Inside City Limits)

- Annual Revenues in Millions
- % Within Range

CCF Usage Range:
- 0-10
- 11-20
- 21-30
- 31-40
- 41-50
- 51-60
- 61-70
- >=71

% Within Range:
- 0.0%
- 5.0%
- 10.0%
- 15.0%
- 20.0%
- 25.0%
- 30.0%
- 35.0%
- 40.0%
Water – Demand Distribution

Residential - Summer Only

Cumulative Percent of Bills

Monthly CCF per Bill

- Median
- 2000
- 2005
- 2010
- 2014

Median of 22 CCF per month in 2014

Median of 30 CCF per month in 2000

Reliability Charge
History of Reliability Charge

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

Presentation from 12/4/2007 City Council Meeting
Reliability Charge

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

Reliability Charge Structure

<table>
<thead>
<tr>
<th>Customer</th>
<th>Monthly Charge</th>
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<tbody>
<tr>
<td>Residential:</td>
<td></td>
</tr>
<tr>
<td>Small (0-100 Amp)</td>
<td>$10</td>
</tr>
<tr>
<td>Medium (101-200 Amp)</td>
<td>$20</td>
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<tr>
<td>Large (201-400 Amp)</td>
<td>$40</td>
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<tr>
<td>Very Large (&gt;400 Amp)</td>
<td>$60</td>
</tr>
<tr>
<td>Small Business:</td>
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<tr>
<td>Tier 1 (0-500 kWh)</td>
<td>$10</td>
</tr>
<tr>
<td>Tier 2 (501-1500 kWh)</td>
<td>$30</td>
</tr>
<tr>
<td>Tier 3 (&gt; 1500 kWh)</td>
<td>$60</td>
</tr>
<tr>
<td>Medium Business</td>
<td>$90</td>
</tr>
<tr>
<td>Large Business</td>
<td>$1,100</td>
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</table>

$25 M Collected Annually

$161.7 M Collected through FY 2015
Reliability Charge – Projects Funded and Related Debt Service

$321M – Estimated Total Project Costs
- RERC 1-4 $199M
- STP $20M
- RTRP $102M

$239M – Project Costs through FY 2014/15
- RERC 1-4 $199M (complete)
- STP $20M (complete)
- RTRP $20M

$630M – Projected Total Debt Service Costs
- RERC $386M
- RTRP / STP $244M

$106M – Debt Service Costs through FY 2014/15
- RERC $95M
- RTRP / STP $11M

$524M – Projected Total Debt Service Remaining

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

$162M – Reliability Charge Collected to Date
$19M – Less: General Fund Transfer
$143M – Net Reliability Charge Available for Debt Service
$106M – Debt Service Paid to Date
$37M – Net Reliability Charge Remaining
Estimated Reliability Charge Needed to Pay Remaining Debt Service Requirements

- $37M – Net Collected Over Debt Service Paid to Date
- $524M – Projected Total Debt Service Remaining
- $487M – Additional Reliability Charge Needed to Cover Debt Service
- $63M – Additional Reliability Charge to Cover GFT
- $550M – Total Reliability Charge Needed to Cover DS & GFT
- $25M – Annual Reliability Charge Revenue
- 25 Estimated Remaining Years to Pay Off Debt Service

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

- $321M Total Estimated Generation/Transmission Project Costs
- $64M Per Year if Paid Over 5 Years

- The following rate increases would have been necessary to fund the generation and transmission projects - in addition to base rate plan:
  
  **Option 1: One Time Rate Increase First Year**
  - ~ 30%
  - Lasting for 5 years
  
  **Option 2: Rate Increase over 5 Years**
  - ~ 9% per year
  - Lasting for 5 years – cumulative increase ~53%
RPU DEBT
PREMIER PUBLIC POWER AND WATER PRACTICE IN CALIFORNIA AND NATIONALLY

- PFM’s committed California presence and focus on the utility sector has enabled us to successfully maintain long-term relationships with a large number of California utility clients.

--- As a result, we are intimately familiar with the issues faced and opportunities provided to California utilities.

PFM’s Decade+ Relationships with California Utility Clients

<table>
<thead>
<tr>
<th>Years</th>
<th>18</th>
<th>17</th>
<th>16</th>
<th>15</th>
<th>19</th>
<th>17</th>
<th>26</th>
<th>14</th>
<th>17</th>
<th>16</th>
<th>26</th>
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<tbody>
<tr>
<td>Public Power—2010-2014 Overall Long-Term Municipal New Issues</td>
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<td>Source: Thomson Reuters</td>
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<tr>
<td>Magma DeRose &amp; Associates LLC</td>
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<td>Public Resources Advisory Group</td>
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<tr>
<td>Capital Development Bank for Puerto Rico</td>
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<td>GMP-McNulty LLC</td>
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<tr>
<td>PNC Financial Services Group Inc</td>
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<td>Barclays</td>
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</tr>
</tbody>
</table>

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

Source: Thomson Reuters

| PFM | 520 | | | | | | | | | | |
| FindSouthwest | 93 | | | | | | | | | | |
| Public Resources Advisory Group | 83 | | | | | | | | | | |
| Capital Development Bank for Puerto Rico | 67 | | | | | | | | | | |
| Magma DeRose & Associates LLC | 54 | | | | | | | | | | |
| Piper Jaffray & Co | 100 | | | | | | | | | | |
| RBC Capital Markets | 314 | | | | | | | | | | |
| Acacia Financial Group Inc | 269 | | | | | | | | | | |

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

Source: Thomson Reuters

| PFM | 533 | | | | | | | | | | |
| FindSouthwest | 933 | | | | | | | | | | |
| Public Resources Advisory Group | 833 | | | | | | | | | | |
| Lamont Financial Services Corp | 673 | | | | | | | | | | |
| Magma DeRose & Associates LLC | 543 | | | | | | | | | | |
| Piper Jaffray & Co | 1003 | | | | | | | | | | |
| RBC Capital Markets | 3143 | | | | | | | | | | |
| Avance Financial Group Inc | 2693 | | | | | | | | | | |

ABOUT PFM
PREMIER PUBLIC POWER PRACTICE

Map of Select PFM National Public Power Clients
**Electric and Water System Debt Composition**

**Electric System - $582.7 million**
- Fixed-Rate: $428,220,000 (74%)
- Synthetic Fixed: $152,425,000 (26%)

**Water System - $198.7 million**
- Fixed-Rate: $143,090,000 (72%)
- Synthetic Fixed: $55,650,000 (28%)

**Combined - $781.4 million**
- Fixed-Rate: $571,310,000 (73%)
- Synthetic Fixed: $208,075,000 (27%)

**Fixed-versus Variable-Rate Comparison**

**DEBT PORTFOLIO SUMMARY**

**Electric and Water System Direct Debt Service Schedules—By Series**

**Electric System Direct Debt Service**
- 2013A
- 2011A
- 2010B
- 2010A
- 2008A
- 2008D
- 2008C
- 2008A

**Water System Direct Debt Service**
- 2011A
- 2008B
- 2008A
- 2008B

Synthetically fixed debt shown at swap rate. Liquidity and remarketing fees not included. Unhedged variable-rate debt shown at 3.50%. BABs debt service shown net of subsidy and includes impact of 6.80% sequestration. Bond year basis.
The repayment rate for RPU’s debt is almost identical to a typical 30-year fixed rate home mortgage.
### SUMMARY OF VARIABLE-RATE DEBT OUTSTANDING

<table>
<thead>
<tr>
<th>Issue and Purpose</th>
<th>Par Outstanding</th>
<th>Tax Status</th>
<th>Structure</th>
<th>Credit Facility</th>
<th>Credit Facility Expiry</th>
<th>Remarking Ratings</th>
<th>Structure Credit Facility</th>
<th>Expiry</th>
<th>Remarketing</th>
<th>Ratings</th>
<th>Maturity Range</th>
<th>Coupon Range</th>
<th>Call Option</th>
<th>Amount Swapped and Swap Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric System</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011A (Refunding Bonds)</td>
<td>$41,925,000</td>
<td>Tax-Exempt</td>
<td>Variable</td>
<td>Indexed to 70% of 1-Month LIBOR</td>
<td>Direct Purchase</td>
<td>Wells Fargo 36 bps</td>
<td>N/A</td>
<td>2019-2035</td>
<td>Variable</td>
<td>Currently at Par</td>
<td>100%</td>
<td>3.201%</td>
<td></td>
<td></td>
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<tr>
<td>2008C (Refunding Bonds)</td>
<td>$41,975,000</td>
<td>Tax-Exempt</td>
<td>Variable</td>
<td>Indexed to 70% of 1-Month LIBOR</td>
<td>Direct Pay LOC</td>
<td>Bank of America 36 bps</td>
<td>S:A/A-1/F:AA+/F1 (AA- und.)</td>
<td>2018-2035</td>
<td>Variable</td>
<td>Currently at Par</td>
<td>100%</td>
<td>3.224%</td>
<td></td>
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<tr>
<td>2008A (Refunding Bonds)</td>
<td>$70,540,000</td>
<td>Tax-Exempt</td>
<td>Subject to Remarketing</td>
<td>Indexed to 70% of 1-Month LIBOR</td>
<td>Direct Pay LOC</td>
<td>Barclays 27.5 bps</td>
<td>S:A/A-2/F:AA+/F1 (AA- und.)</td>
<td>2018-2029</td>
<td>Variable</td>
<td>Currently at Par</td>
<td>100%</td>
<td>3.111%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water System</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011A (Refunding Bonds)</td>
<td>$55,650,000</td>
<td>Tax-Exempt</td>
<td>Subject to Remarketing</td>
<td>Indexed to 70% of 1-Month LIBOR</td>
<td>SFMA Notes Negotiated</td>
<td>N/A</td>
<td>2016-2035</td>
<td>Variable</td>
<td>Currently at Par</td>
<td>100%</td>
<td>3.200%</td>
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</table>

### SUMMARY OF OUTSTANDING SWAPS

#### Summary of Swap Portfolio

<table>
<thead>
<tr>
<th>Associated Issue</th>
<th>RPU Pays</th>
<th>RPU Receives</th>
<th>Trade Date</th>
<th>Effective Date</th>
<th>Maturity Date</th>
<th>MTM Value (As of 08/18/2015)</th>
<th>Current Notional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric System</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011A</td>
<td>3.2010%</td>
<td>62.68% of USD-LIBOR + 0.12%</td>
<td>07/10/2013</td>
<td>09/01/2013</td>
<td>10/01/2035</td>
<td>($8,212,077)</td>
<td>$41,925,000</td>
</tr>
<tr>
<td>2008C</td>
<td>3.2040%</td>
<td>62.68% of USD-LIBOR + 0.12%</td>
<td>07/10/2013</td>
<td>09/01/2013</td>
<td>10/01/2035</td>
<td>($8,235,253)</td>
<td>$41,975,000</td>
</tr>
<tr>
<td>2008A</td>
<td>3.1110%</td>
<td>62.68% of USD-LIBOR + 0.12%</td>
<td>07/10/2013</td>
<td>09/01/2013</td>
<td>10/01/2029</td>
<td>($9,565,572)</td>
<td>$68,525,000</td>
</tr>
</tbody>
</table>

#### Summary of Swap Portfolio Counterparty Risk

<table>
<thead>
<tr>
<th>Associated Issue</th>
<th>Counterparty</th>
<th>Counterparty Ratings</th>
<th>Product</th>
<th>Replacement Rate</th>
<th>DV01</th>
<th>Weighted Avg. Life</th>
<th>PV01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric System</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011A</td>
<td>JPMorgan Chase Bank, N.A.</td>
<td>Aa3/A+/A+/</td>
<td>Swap</td>
<td>1.5818%</td>
<td>$37,955</td>
<td>14.52</td>
<td>$51,032</td>
</tr>
<tr>
<td>2008C</td>
<td>JPMorgan Chase Bank, N.A.</td>
<td>Aa3/A+/A+/</td>
<td>Swap</td>
<td>1.5917%</td>
<td>$37,977</td>
<td>14.53</td>
<td>$51,078</td>
</tr>
<tr>
<td>2008A</td>
<td>Merrill Lynch Capital Services, Inc.</td>
<td>Baa1/A+/A+/</td>
<td>Swap</td>
<td>1.4278%</td>
<td>$39,547</td>
<td>9.09</td>
<td>$56,831</td>
</tr>
</tbody>
</table>

#### Summary of Swap Portfolio Interest Rate Risk (As of 08/18/2015)

<table>
<thead>
<tr>
<th>Associated Issue</th>
<th>Counterparty</th>
<th>Counterparty Ratings</th>
<th>Product</th>
<th>Replacement Rate</th>
<th>DV01</th>
<th>Weighted Avg. Life</th>
<th>PV01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric System</td>
<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2011A</td>
<td>JPMorgan Chase Bank, N.A.</td>
<td>Aa3/A+/A+/</td>
<td>Swap</td>
<td>1.5382%</td>
<td>$41,198</td>
<td>11.90</td>
<td>$56,949</td>
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</table>

#### Water System

<table>
<thead>
<tr>
<th>Associated Issue</th>
<th>Counterparty</th>
<th>Counterparty Ratings</th>
<th>Product</th>
<th>Replacement Rate</th>
<th>DV01</th>
<th>Weighted Avg. Life</th>
<th>PV01</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Associated Issue</th>
<th>Counterparty</th>
<th>Counterparty Ratings</th>
<th>Product</th>
<th>Replacement Rate</th>
<th>DV01</th>
<th>Weighted Avg. Life</th>
<th>PV01</th>
</tr>
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<td>Electric System</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>2011A</td>
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<td>Aa3/A+/A+/</td>
<td>Swap</td>
<td>1.5818%</td>
<td>$37,955</td>
<td>14.52</td>
<td>$51,032</td>
</tr>
<tr>
<td>2008C</td>
<td>JPMorgan Chase Bank, N.A.</td>
<td>Aa3/A+/A+/</td>
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<td>1.5917%</td>
<td>$37,977</td>
<td>14.53</td>
<td>$51,078</td>
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<tr>
<td>2008A</td>
<td>Merrill Lynch Capital Services, Inc.</td>
<td>Baa1/A+/A+/</td>
<td>Swap</td>
<td>1.4278%</td>
<td>$39,547</td>
<td>9.09</td>
<td>$56,831</td>
</tr>
</tbody>
</table>
**HISTORY OF VARIABLE-RATE DEBT**

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

<table>
<thead>
<tr>
<th>System</th>
<th>Electric</th>
<th>Water</th>
<th>Current Status</th>
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<tbody>
<tr>
<td></td>
<td>History</td>
<td>History</td>
<td></td>
</tr>
<tr>
<td>Series 2008A</td>
<td>Variable-Rate Demand Obligations</td>
<td>$60,300,000</td>
<td>$70,540,000 Outstanding</td>
</tr>
<tr>
<td>Series 2008B (Refinanced)</td>
<td>Variable-Rate Demand Obligations</td>
<td>$57,325,000</td>
<td>$41,925,000 Outstanding, renewed at lower cost in 2011 and replaced with LOC from Barclays in 2014</td>
</tr>
<tr>
<td>Series 2008C</td>
<td>Variable-Rate Demand Obligations</td>
<td>$57,325,000</td>
<td>$41,975,000 Outstanding, Original LOC from Bank of America renewed at lower cost in 2011 and renewed again at lower cost in 2014</td>
</tr>
<tr>
<td>Series 2011A</td>
<td>Direct Purchase</td>
<td>$57,275,000</td>
<td>$55,850,000 Outstanding, remarketed in 2012, 2013, 2014 and 2015</td>
</tr>
</tbody>
</table>

- Series 2004B (Refinanced)
  - Auction Rate Securities
  - New Money for RERC
  - Swapped to Fixed ~1 Year After Issuance

- Series 2005A (Refinanced)
  - Auction Rate Securities
  - New Money for RERC and Advance Refunding of Series 1998 and 2001
  - Swapped at Issuance

- Series 2005A (Refinanced)
  - Auction Rate Securities
  - New Money for RERC and Advance Refunding of Series 1998 and 2001
  - Swapped at Issuance

- Series 2005 (Refinanced)
  - Auction Rate Securities
  - New Money for Water System and Advance Refunding of Series 1998 and 2001
  - Swapped at Issuance

- Series 2005B (Refinanced)
  - Auction Rate Securities
  - New Money for RERC and Advance Refunding of Series 1998 and 2001
  - Swapped at Issuance

- Series 2008A (Refinanced)
  - Auction Rate Securities
  - New Money for RERC and Advance Refunding of Series 1998 and 2001
  - Swapped at Issuance
THE INTEREST RATE SWAPS

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

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

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

<table>
<thead>
<tr>
<th>Issue</th>
<th>Hypothetical Traditional Fixed-Rate Bonds</th>
<th>Swap Rate</th>
<th>Added Annualized Costs Associated with Swap and Variable-Rate Debt</th>
<th>Savings from Swap vs. Traditional Fixed-Rate Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water System</td>
<td>Water System</td>
<td>3.20%</td>
<td>0.50%</td>
<td>0.88%</td>
</tr>
<tr>
<td>Electric System</td>
<td>Electric System</td>
<td>3.11%</td>
<td>0.00%</td>
<td>0.86%</td>
</tr>
</tbody>
</table>

ORIGINS OF VARIABLE-RATE DEBT

DEBT PORTFOLIO SUMMARY

ORIGINS OF VARIABLE-RATE DEBT

VARIABLE-RATE DEBT PERFORMANCE

CASH RESERVE CONSIDERATIONS

CONCLUSION
**VARIABLE-RATE DEBT PORTFOLIO TRADING LEVELS**

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

### Recent Variable-Rate Series Trading

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td></td>
<td>0.00%</td>
<td>0.20%</td>
<td>0.40%</td>
<td>0.60%</td>
</tr>
<tr>
<td></td>
<td>0.80%</td>
<td>1.00%</td>
<td>1.20%</td>
<td></td>
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</tbody>
</table>

**VARIABLE-RATE DEBT PERFORMANCE**

**COMPARISON OF SIFMA NOTES VS. VRDBS AND DIRECT PURCHASES**

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

<table>
<thead>
<tr>
<th>Cost of Variable-Rate Products over Past Three Years</th>
<th>SIFMA Note</th>
<th>VRDB</th>
<th>Direct Purchase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index</td>
<td>SIFMA</td>
<td>SIFMA</td>
<td>70% of 1mL</td>
</tr>
<tr>
<td>Average Benchmark</td>
<td>0.08%</td>
<td>0.08%</td>
<td>0.13%</td>
</tr>
<tr>
<td>Average Trading Spread</td>
<td>0.03%</td>
<td>-0.01%</td>
<td>-</td>
</tr>
<tr>
<td>Time Weighted Average Direct Purchase Spread to Index</td>
<td>-</td>
<td>-</td>
<td>0.55%</td>
</tr>
<tr>
<td>Time Weighted Average LOC Fee</td>
<td>-</td>
<td>0.38%</td>
<td>-</td>
</tr>
<tr>
<td>Remarking Fee</td>
<td>-</td>
<td>0.07%</td>
<td>-</td>
</tr>
<tr>
<td>Total Annual Non-Issuance Costs (%)</td>
<td>0.11%</td>
<td>0.52%</td>
<td>0.08%</td>
</tr>
<tr>
<td>Total Annual Non-Issuance Costs ($)</td>
<td>$62,178</td>
<td>$293,930</td>
<td>$384,370</td>
</tr>
<tr>
<td>Annualized Issuance Cost (2)</td>
<td>$150,000</td>
<td>$20,000 - $50,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>Annual Savings</td>
<td>$212,178</td>
<td>$313,930 - $343,930</td>
<td>$404,370</td>
</tr>
</tbody>
</table>

(1) Par Amount of $56,525,000 for Water System, Issue of 2011A assumed
(2) LOC and Direct Purchase renewal fee of $60,000 every three years assumed; LOC replacement fee of $150,000 every three years assumed
RiversidePublicUtilities.com

CASH RESERVE CONSIDERATIONS

RATING AGENCY CASH RESERVE CONSIDERATIONS

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

<table>
<thead>
<tr>
<th>Rating Agency Views on Cash Reserves</th>
<th>Moody's</th>
<th>Standard &amp; Poor's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating Category</td>
<td>AAA</td>
<td>AAA</td>
</tr>
<tr>
<td>Reserve Levels (All Utilities)</td>
<td>&gt;250 Days' Cash</td>
<td>&gt;150 Days' Cash</td>
</tr>
<tr>
<td></td>
<td>150-250 Days' Cash</td>
<td>90-150 Days' Cash</td>
</tr>
<tr>
<td></td>
<td>30-150 Days' Cash</td>
<td>60-90 Days' Cash</td>
</tr>
<tr>
<td></td>
<td>15-30 Days' Cash</td>
<td>30-60 Days' Cash</td>
</tr>
<tr>
<td></td>
<td>7-15 Days' Cash</td>
<td>15-30 Days' Cash</td>
</tr>
<tr>
<td></td>
<td>&lt;7 Days' Cash</td>
<td>&lt;15 Days' Cash</td>
</tr>
<tr>
<td>Rating Category</td>
<td>Stronger</td>
<td>Stronger</td>
</tr>
<tr>
<td>Reserve Levels (Water Utilities)</td>
<td>&gt;365 Days' Cash</td>
<td>&gt;180 Days' Cash</td>
</tr>
<tr>
<td></td>
<td>&lt;180 Days' Cash</td>
<td>&lt;90 Days' Cash</td>
</tr>
<tr>
<td>Rating Category</td>
<td>Midrange</td>
<td>Midrange</td>
</tr>
<tr>
<td>Reserve Levels (Retail Electric Utilities)</td>
<td>&gt;120 Days' Cash</td>
<td>60-90 Days' Cash</td>
</tr>
<tr>
<td></td>
<td>&lt;60 Days' Cash</td>
<td>&lt;45 Days' Cash</td>
</tr>
</tbody>
</table>

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

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

• RPU’s reserve levels are in line with sector medians and peer utilities

<table>
<thead>
<tr>
<th>Rating Category Day’s Cash Medians(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating Category</td>
</tr>
<tr>
<td>Water and Sewer Utility Reserve Medians</td>
</tr>
<tr>
<td>Electric Retail Utility Reserve Medians(2)</td>
</tr>
</tbody>
</table>

(1) Source: Fitch
(2) Fitch does not have any AAA rated Electric Retail Utilities

Peer Utility Days’ Cash Levels (FY2014)

<table>
<thead>
<tr>
<th>Utility Type</th>
<th>Riverside Public Utilities</th>
<th>Irvine Ranch Water District</th>
<th>Inland Empire Utilities Agency</th>
<th>Anaheim Public Utilities</th>
<th>Eastern MWD</th>
<th>Calleguas MWD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Utilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rating (M/S/F)</td>
<td>Aa2/AAA/AA+</td>
<td>Aa1/Aaa</td>
<td>Aa2/AA-/</td>
<td>-/AAA/AAA</td>
<td>Aa3/AA-/</td>
<td>Aa1/AA-/</td>
</tr>
<tr>
<td>Days’ Cash</td>
<td>816(3)</td>
<td>934(2)</td>
<td>430(3)</td>
<td>193(3)</td>
<td>628(3)</td>
<td>630(2)</td>
</tr>
<tr>
<td>Electric Utilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rating (M/S/F)</td>
<td>-/AAA/AAA</td>
<td>-/AAA/AAA</td>
<td>-/AAA/AAA</td>
<td>-/AAA/AAA</td>
<td>-/AAA/AAA</td>
<td>-/AAA/AAA</td>
</tr>
<tr>
<td>Days’ Cash</td>
<td>310</td>
<td>402</td>
<td>203</td>
<td>136</td>
<td>207</td>
<td>590</td>
</tr>
</tbody>
</table>

(1) Source: Each Utility’s respective CAFR
(2) Source: S&P
(3) Source: Fitch

CASH RESERVE CONSIDERATIONS

USE OF RESERVES

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

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

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

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

• Reserves can also be effectively deployed for other purposes:
  — Funding retirement benefit accounts
  — Prepaying other financial obligations (Power Purchase Agreements, fuel, etc.)
  — Purchasing strategic assets/property (real estate)
ECONOMICS OF USING CASH TO DEFEASE EXISTING DEBT

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

<table>
<thead>
<tr>
<th>Issue</th>
<th>Par Outstanding</th>
<th>Structure</th>
<th>Term</th>
<th>Call Date</th>
<th>Escrow Cost (+ Any Swap Termination)</th>
<th>Rate of Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric System</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013A</td>
<td>$71,320,000</td>
<td>Fixed</td>
<td>28</td>
<td>10/01/2023</td>
<td>$87,029,205</td>
<td>3.23%</td>
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<tr>
<td>2011A</td>
<td>$41,925,000</td>
<td>Variable</td>
<td>20</td>
<td>Currently at Par</td>
<td>$56,131,416</td>
<td>0.98%</td>
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<tr>
<td>2010B</td>
<td>$7,090,000</td>
<td>Fixed</td>
<td>4</td>
<td>Non-Callable</td>
<td>$7,762,714</td>
<td>1.07%</td>
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<tr>
<td>2010A</td>
<td>$133,290,000</td>
<td>Fixed</td>
<td>25</td>
<td>Make-Whole Call</td>
<td>$230,503,584</td>
<td>1.30%</td>
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<tr>
<td>2009A</td>
<td>$8,785,000</td>
<td>Fixed</td>
<td>3</td>
<td>Non-Callable</td>
<td>$3,967,159</td>
<td>0.83%</td>
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<tr>
<td>2008D</td>
<td>$209,740,000</td>
<td>Fixed</td>
<td>23</td>
<td>10/01/2019</td>
<td>$233,349,128</td>
<td>3.97%</td>
</tr>
<tr>
<td>2008C</td>
<td>$41,975,000</td>
<td>Variable</td>
<td>20</td>
<td>Currently at Par</td>
<td>$55,666,698</td>
<td>0.98%</td>
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<tr>
<td>2008A</td>
<td>$70,540,000</td>
<td>Variable</td>
<td>14</td>
<td>Currently at Par</td>
<td>$86,682,624</td>
<td>0.63%</td>
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<tr>
<td>Water System</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011A</td>
<td>$55,650,000</td>
<td>Variable</td>
<td>20</td>
<td>Currently at Par</td>
<td>$86,337,900</td>
<td>0.80%</td>
</tr>
<tr>
<td>2009B</td>
<td>$67,730,000</td>
<td>Fixed</td>
<td>24</td>
<td>Make-Whole Call</td>
<td>$97,604,243</td>
<td>1.03%</td>
</tr>
<tr>
<td>2009A</td>
<td>$17,065,000</td>
<td>Fixed</td>
<td>5</td>
<td>10/01/2019</td>
<td>$13,890,506</td>
<td>1.20%</td>
</tr>
<tr>
<td>2008B</td>
<td>$58,235,000</td>
<td>Fixed</td>
<td>23</td>
<td>10/01/2018</td>
<td>$64,857,714</td>
<td>2.96%</td>
</tr>
</tbody>
</table>

CASH RESERVE CONSIDERATIONS

USING CASH TO OFFSET NEW BORROWINGS

- In today’s market (late-August 2015), RPU could borrow money for the water system on a 30-year basis at about 4.00% and for the electric system on a 30-year basis at about 4.10%
   - When compared to the 0.63% - 3.97% rates of return for paying off existing debt with cash, it is easier and more economic to use cash to avoid issuing new debt (to generate the 4.00% - 4.10% return)
     - The existing debt can be refinanced opportunistically for savings (further upside associated with not paying off existing debt with cash)
     - Moreover, use of cash to avoid future debt in-lieu of repayment of existing debt optimally allows for the avoidance of issuance fees

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

- RPU has two very highly rated enterprises that if anything should be rated higher than they currently are
  - **Power**: Only one California public power enterprise has a rating higher than RPU (Pasadena rated AA by Fitch), otherwise, RPU (together with peers that share the same ratings) is the highest rated public power system in California
    - RPU has been building the case for the utility to be the highest rated public power system in California and RPU has had some traction with the agencies, however rating upgrades are always slow and there is a definite ceiling
  - **Water**: RPU has a AAA from S&P and two other very high ratings
    - RPU has been building a case for the utility to be rated AAA by all of the agencies and RPU has had some traction with Fitch, however rating upgrades are always slow and the water enterprise has an esteemed rating peer group (e.g. U.S. Treasury ratings)

- RPU’s reserves are an important factor for the credit analysis and support RPU’s efforts for higher ratings and low cost of borrowing

- Reserves have significant advantages for ratepayers: 1) minimize cost of capital, 2) protect against operational risks and disruptions and rate shocks, 3) allow the utility to capture strategic and economic opportunities

- RPU’s debt burden is conservative (matches asset useful life, repaid in equal installments, all fixed or hedged against interest rate risk), the variable-rate portfolio was prudently structured and has been well maintained to minimize cost and risk to ratepayers

- If RPU were to spend down reserves, the best economic use would be for a strategic purposes first, for an offset to future borrowing second, and for redemption of existing debt third
Reserves

Goals of Financial Policies

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

- To maintain financial solvency
  - Provide a basis for coping with fiscal emergencies (revenue short-falls, asset failure, emergency, etc.)

- To provide guidelines for sound financial management with an overall long-range perspective

- To enhance financial management transparency
  - Improve public’s confidence and elected officials’ credibility

Why Do We Need Reserves?

- Nature of municipal utility system
  - Capital intensive
  - Highly fluctuating capital costs
  - Risk and liability → unknown liability costs

- Healthy reserve level → better credit ratings
  → lower interest rates for future debt
Current RPU Reserve Policy

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

Electric Fund
Unrestricted Reserves – Policy Guidelines
Reserve Policy – Best Practices

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

RiversidePublicUtilities.com
## Evaluation Process for New Reserve Policy – Minimum Reserves

<table>
<thead>
<tr>
<th>Risk Mitigation Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time lag between when operating expenses are incurred and revenues are received</td>
</tr>
<tr>
<td>Power resource cost uncertainty: Variation from load forecast; Uncertainties in transmission costs and resource adequacy; Fluctuation in market prices</td>
</tr>
<tr>
<td>Unexpected significant decreases in sales or increases in operating costs (drought restriction, new regulatory mandates, etc.)</td>
</tr>
<tr>
<td>Aging capital assets and infrastructure (Springs, RERC, Clearwater, technology, utility vehicles, substations, etc.)</td>
</tr>
<tr>
<td>Emergency capital needs and catastrophic events</td>
</tr>
<tr>
<td>Carbon emissions, Water quality standards, Renewable standards, other regulatory mandates</td>
</tr>
</tbody>
</table>

## Financial Planning & Reporting

RiversidePublicUtilities.com
Current Financial Planning Process

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

New 10 Year Pro-forma

Key Financial Targets
- Debt Service Coverage (Debt)
- Days Cash on Hand (Reserves)

Key Components
- Projected Revenues
- Revenue Requirement (Expenses)
- Capital Improvement Program

Source of Funding
- Rates
  - Bonds
  - Reserves
  - Others
How we use the Pro-Forma

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

Putting it all together

Financial Balance
- Rates
- Cash Reserves
- Bonds
- Other Revenue

RiversidePublicUtilities.com
Example: What happens to Reserves without a Rate Increase?

Example: What happens to Debt Service Coverage without Rate Increase?
Example: Rate Plans should comply with Fiscal Targets

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

Financial Reporting to Board

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

Comparison Analysis

- Current to Budget
- Current to Prior
- Quarterly
- Year-to-Date
Statements of Net Position
(Balance Sheet)

Retail Sales and Operating Expenses
Trend and Comparison with Budget and Prior Year
Flow of Funds and Cash Balances

Comprehensive Annual Financial Report (CAFR)

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

RiversidePublicUtilities.com
RPU Annual Financial Report

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

Other Communications

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

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

Financial Metrics Benchmarking
Electric - Uncollectible Write-Offs to Revenue

The Operating Ratio reflects the Utility’s Operating and Maintenance costs to operating revenues. A low ratio indicates positive results. Industry Median = 71.9%
The Unrestricted Current Ratio indicates the Utility's ability to meet short term liabilities. A higher ratio indicates positive results. Industry Median = 1.8

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

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

Water - Uncollectible Write-Offs to Revenue

Industry Median (2015 APPA Survey) = 0.37%
Water Operating Ratio

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

Water Unrestricted Current Ratio

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

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

Water Debt Service Coverage Ratio

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