NEW ISSUE – BOOK-ENTRY ONLY

RATINGS:
S&P: AA-
Fitch: AA-
See the caption "RATINGS."

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest on the 2023A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the 2023A Bonds is exempt from State of California personal income tax. See the caption "TAX MATTERS" with respect to tax consequences relating to the 2023A Bonds, including with respect to the alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022.

$31,390,000
CITY OF RIVERSIDE, CALIFORNIA
Refunding Electric Revenue Bonds, Issue of 2023A

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

Terms of the 2023A Bonds. The 2023A Bonds are being issued by the City of Riverside in fully registered form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers of the 2023A Bonds will not receive securities certificates representing their beneficial ownership in the 2023A Bonds purchased. The principal of and interest on the 2023A Bonds are payable by the Fiscal Agent to Cede & Co., and such interest and principal payments and premium, if any, are to be disbursed to the Beneficial Owners of the 2023A Bonds through their nominees.

The 2023A Bonds will bear interest at the rates per annum shown on the inside front cover of this Official Statement (calculated on the basis of a 360-day year consisting of twelve 30-day months). Interest will be payable semiannually on October 1, 2024 and each April 1 and October 1 thereafter. Each 2023A Bond will bear interest from the Interest Payment Date before its date of authentication: (i) unless it is authenticated: (a) during the period after a Record Date but on or before the next Interest Payment Date, in which event it will bear interest from that Interest Payment Date; or (b) prior to the first Record Date, in which event it will bear interest from the dated date of the 2023A Bonds; or (ii) unless at the time of authentication interest is in default, in which event it will bear interest from the Interest Payment Date to which interest has been paid or provided for. **"Record Date"** means the close of business on the 15th day of each month preceding an Interest Payment Date.

Purpose of the 2023A Bonds. The 2023A Bonds are being issued: (i) to refund all of the outstanding City of Riverside Refunding Electric Revenue Bonds, Issue of 2013A; and (ii) to pay costs of issuance of the 2023A Bonds.

Security for the 2023A Bonds. The 2023A Bonds are special limited obligations of the City and are secured by a pledge of and lien upon, and payable solely from, the Net Operating Revenues (as such term is defined under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2023A BONDS—Net Operating Revenues") of the Electric System and other funds, assets and security described in the Resolution. The 2023A Bonds do not constitute a general obligation or general indebtedness of the City. The City is not funding a debt service reserve account for the 2023A Bonds.

Redemption Prior to Maturity. The 2023A Bonds are subject to redemption prior to maturity. See the caption "DESCRIPTION OF THE 2023A BONDS—Redemption Provisions."

Existing Parity Debt. The 2023A Bonds are secured by and payable from Net Operating Revenues on a parity with certain outstanding bonds, which are referred to in this Official Statement as the "Prior Parity Bonds." See the caption "PRIOR DEBT AND DEBT SERVICE—Outstanding Prior Debt."

Future Parity Debt. The City is authorized to issue additional bonded indebtedness and to incur additional obligations that are secured by a lien upon and payable from Net Operating Revenues on a parity with the Prior Parity Bonds and the 2023A Bonds, as described in this Official Statement.

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

The 2023A Bonds are offered when, as and if issued and received by the Underwriters, subject to approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Certain legal matters will be passed upon for the City by the City Attorney. Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, is acting as Disclosure Counsel to the City, and Norton Rose Fulbright US LLP, Los Angeles, California, is acting as counsel to the Underwriters. It is expected that the 2023A Bonds in definitive form will be available for delivery through the facilities of The Depository Trust Company on or about December 6, 2023.

J.P. Morgan **Barclays**

Ramirez & Co., Inc. **Siebert Williams Shank & Co., LLC**

Dated: November 14, 2023

MATURITY SCHEDULE

BASE CUSIP®†: 768874

$31,390,000
CITY OF RIVERSIDE, CALIFORNIA
Refunding Electric Revenue Bonds, Issue of 2023A

Maturity Date (October 1)	*Principal Amount*	*Interest Rate*	*Yield*	*Price*	*CUSIP®†*
2024	$ 990,000	5.000%	3.240%	101.407	UX5
2025	1,000,000	5.000	3.130	103.277	UY3
2026	1,030,000	5.000	2.980	105.419	UZ0
2027	1,100,000	5.000	2.940	107.386	VA4
2028	1,155,000	5.000	2.910	109.330	VB2
2029	1,210,000	5.000	2.970	110.771	VC0
2030	1,270,000	5.000	2.990	112.312	VD8
2031	1,335,000	5.000	3.030	113.619	VE6
2032	1,400,000	5.000	3.050	114.975	VF3
2033	1,470,000	5.000	3.090	116.066	VG1
2034	1,545,000	5.000	3.200	115.060[C]	VH9
2035	1,620,000	5.000	3.290	114.245[C]	VJ5
2036	1,705,000	5.000	3.410	113.168[C]	VK2
2037	1,785,000	5.000	3.540	112.016[C]	VL0
2038	1,875,000	5.000	3.630	111.226[C]	VM8
2039	1,975,000	5.000	3.740	110.270[C]	VN6
2040	2,070,000	5.000	3.820	109.581[C]	VP1
2041	2,175,000	5.000	3.910	108.811[C]	VQ9
2042	2,285,000	5.000	3.960	108.387[C]	VR7
2043	2,395,000	5.000	3.980	108.218[C]	VS5

[†] *CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers.*

[C] *Priced to first optional redemption date of October 1, 2033 at par.*

CITY OF RIVERSIDE, CALIFORNIA

CITY COUNCIL

Patricia Lock Dawson, Mayor

Erin Edwards, 1st Ward
Clarissa Cervantes, 2nd Ward
Ronaldo Fierro, 3rd Ward
Chuck Conder, 4th Ward
Gaby Plascencia, 5th Ward
Jim Perry, 6th Ward
Steve Hemenway, 7th Ward

BOARD OF PUBLIC UTILITIES

Gildardo Oceguera, Chair
Rebeccah A. Goldware, Vice Chair

David M. Crohn
Nipunjeet Gujral
Rosemary Heru
Gary Montgomery
Nancy E. Melendez
Brian D. Siana
Peter Wolgemuth

CITY OFFICIALS

Michael Futrell, *City Manager*

Edward Enriquez,
Assistant City Manager/Chief Financial Officer/Treasurer

Carlie Myers,
Assistant General Manager/Business Systems and Customer Service

Phaedra Norton,
City Attorney

Susan D. Wilson,
Assistant City Attorney

Todd Corbin,
Utilities General Manager

Daniel E. Garcia,
Utilities Deputy General Manager, Resources

Daniel Honeyfield,
Utilities Assistant General Manager, Energy Delivery

Donesia Gause,
City Clerk

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

MUNICIPAL ADVISOR
PFM Financial Advisors LLC
Los Angeles, California

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

VERIFICATION AGENT
Robert Thomas CPA, LLC
Overland Park, Kansas

Neither the City nor the Underwriters have authorized any dealer, broker, salesman or other person to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the 2023A Bonds in any jurisdiction in which such offer to sell or solicitation of an offer to buy is unlawful.

This Official Statement is not to be construed as a contract with the purchasers of the 2023A Bonds. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information and expressions of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made of the 2023A Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Electric System since the date hereof.

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

IN CONNECTION WITH THE OFFERING OF THE 2023A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2023A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

The 2023A Bonds have not been registered under the Securities Act in reliance upon an exception from the registration requirements contained therein. The 2023A Bonds have not been registered or qualified under the securities law of any state.

The City maintains a website and certain social media accounts; however, the information contained therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the 2023A Bonds.

TABLE OF CONTENTS

INTRODUCTION 1
- Authority for the 2023A Bonds 1
- Purpose of the 2023A Bonds 1
- The City and the Electric System 1
- Security for the 2023A Bonds; Rate Covenant 2
- Joint Powers Agency Obligations 2
- Outstanding Prior Debt 3
- Additional Bonds and Parity Debt 3
- 2023A Reserve Account Not Funded 3
- Subordinate Obligations 3
- Redemption of the 2023A Bonds 4
- Continuing Disclosure 4
- Summaries and References to Documents 4

PLAN OF FINANCE 4
- General 4
- Refunding Plan 4
- Estimated Sources And Uses Of Funds 5

PRIOR DEBT AND DEBT SERVICE 6
- Outstanding Prior Debt 6
- Debt Service Requirements 6

DESCRIPTION OF THE 2023A BONDS 8
- General 8
- Redemption Provisions 8

SECURITY AND SOURCES OF PAYMENT FOR THE 2023A BONDS 9
- Net Operating Revenues 9
- Limited Obligation 9
- Resolution Flow of Funds 10
- Application of Funds in the Bond Service Account 12
- Rate Covenant 13
- Debt Service Reserve Account Not Funded 14
- Additional Bonds and Parity Debt 14
- Subordinate Obligations 15
- Existing Subordinate Obligations 15

THE CITY 17

THE PUBLIC UTILITIES DEPARTMENT 17
- Management of the Public Utilities Department 17
- Board of Public Utilities 18
- Employment Matters 19
- Investment Policy and Controls 26

THE ELECTRIC SYSTEM 26
- General 26
- Power Supply 27
- City-Owned Generating Facilities 28
- Entitlements 29
- Renewable Resources 31
- Firm Contracts and Market Purchases 35
- Wholesale Power Trading Policies and Risk Management 35
- California Independent System Operator 35
- Transmission and Distribution Facilities 36
- Capital Improvement Program 38
- Customers and Energy Sales 39
- Customer Concentration 40
- Electric Rates and Charges 40
- Billings and Collections 41
- Uncollectible Accounts 42
- Transfers to the General Fund of the City 43
- Unrestricted Cash Reserves 44
- Joint Powers Agency Obligations 44
- Insurance 45
- Litigation 46
- Significant Accounting Policies 47
- Summary of Operations 47
- Electric System Strategic Plan 49

FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY 52
- Federal Policy on Cyber Security 52
- Federal Energy Legislation 53
- Federal Regulation of Transmission Access 54
- Other Federal Legislation 54
- Nuclear Regulatory Commission Initiatives 55
- Environmental Issues 55
- Resource Adequacy 59
- State Legislation Affecting the Power Supply 60
- Other Factors 66

RISK FACTORS 67
- The 2023A Bonds Are Limited Obligations 68
- Limitations on Remedies 68
- Debt Service Reserve Account Not Funded 68
- Electric System Expenses and Collections 68
- Rate Regulation 69
- Casualty Risk 70
- Loss of Tax Exemption 70
- Parity Obligations 70
- Limited Recourse on Default 71
- Rate Covenant Not a Guarantee 71
- Climate Change 71
- Security of the Electric System 72
- Cyber Security 72
- COVID-19 Outbreak 72
- Secondary Market 73
- Taxpayer Protection and Government Accountability Act Initiative 74

CONSTITUTIONAL LIMITATIONS 75
- Articles XIIIC and XIIID of the State Constitution 75
- Proposition 26 75
- Future Initiatives 76

TAX MATTERS 76

CERTAIN LEGAL MATTERS 78

LITIGATION 78

FINANCIAL STATEMENTS 78

RELATED PARTIES 79

RATINGS 79

UNDERWRITING 79

MUNICIPAL ADVISOR 80
CONTINUING DISCLOSURE..............................80
MISCELLANEOUS...81

APPENDIX A CITY AND COUNTY OF RIVERSIDE – ECONOMIC AND DEMOGRAPHIC INFORMATION...A-1
APPENDIX B AUDITED FINANCIAL STATEMENTS OF THE CITY OF RIVERSIDE ELECTRIC UTILITY FOR THE FISCAL YEAR ENDED JUNE 30, 2022..B-1
APPENDIX C SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION...C-1
APPENDIX D FORM OF CONTINUING DISCLOSURE CERTIFICATE D-1
APPENDIX E FORM OF BOND COUNSEL OPINION E-1
APPENDIX F DTC AND THE BOOK-ENTRY ONLY SYSTEM... F-1

$31,390,000
CITY OF RIVERSIDE, CALIFORNIA
Refunding Electric Revenue Bonds, Issue of 2023A

INTRODUCTION

This Official Statement, including the front and inside front cover page and all appendices, is provided to furnish information in connection with the issuance and sale by the City of Riverside, California (the "**City**"), of the bonds captioned above (the "**2023A Bonds**").

Authority for the 2023A Bonds

The 2023A Bonds were authorized and issued pursuant to the following, which are referred to collectively in this Official Statement as the "**Law**":

(i) the City Charter;

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

(iii) Resolution No. 17662 adopted by the City Council on January 8, 1991 (the "**Master Resolution**"), as amended and supplemented, including as amended and supplemented by Resolution No. 24036, the twentieth supplemental resolution, which provides for the issuance of the 2023A Bonds (the "**Twentieth Supplemental Resolution**"), which was adopted by the City Council on September 19, 2023. The Master Resolution, as previously amended and supplemented, and as further amended and supplemented by the Twentieth Supplemental Resolution, is referred to collectively in this Official Statement as the "**Resolution**."

Purpose of the 2023A Bonds

The 2023A Bonds are being issued: (i) to refund all of the outstanding City of Riverside Refunding Electric Revenue Bonds, Issue of 2013A (the "**2013A Bonds**"), as described under the caption "PLAN OF FINANCE—Refunding Plan;" and (ii) to pay costs of issuance of the 2023A Bonds.

The City and the Electric System

The City is the county seat of Riverside County (the "**County**"), California, and is located in the western portion of the County, approximately 60 miles east of downtown Los Angeles and approximately 90 miles north of San Diego. The City was incorporated in 1883 and covers 81.5 square miles. The City is a charter city and has a council-manager form of government with a seven-member council. As of 2023, the population of the City was estimated to be 313,676. See Appendix A for further information about the City and the County.

The City's municipal electric system (the "**Electric System**") provides service throughout the City to domestic, commercial, industrial, agricultural, municipal and other customers. In Fiscal Year 2022-23, the Electric System had 112,751 metered customers. The Electric System's power supply requirements are met through City-owned generation facilities, long-term power purchase agreements and participation in projects which are owned and operated by joint powers agencies and other power suppliers. During Fiscal Year 2022-23, the Electric System generated and purchased a total of 2,239,300 megawatt hours of electricity for delivery to customers throughout the City. See the caption "THE ELECTRIC SYSTEM" for a detailed discussion of the Electric System and the City's power supply sources.

Security for the 2023A Bonds; Rate Covenant

Nature of Pledge. Pursuant to the Law, the 2023A Bonds are special limited obligations of the City and are secured by a pledge of and lien upon, and payable solely from, Net Operating Revenues of the Electric System and other funds, assets and security described under the Resolution. The term "Net Operating Revenues" is defined under the caption "SECURITY AND SOURCES OF PAYMENTS FOR THE 2023A BONDS—Net Operating Revenues."

Rate Covenant. The City is obligated by the Resolution to prescribe, revise and collect rates and charges for the services, facilities and electricity of the Electric System during each Fiscal Year in an amount that is at least sufficient to pay the Operating and Maintenance Expenses of the Electric System, to pay debt service on all Bonds (including the 2023A Bonds) and any Parity Debt and to pay all other obligations that are charges, liens or encumbrances upon or payable from Net Operating Revenues, with specified requirements as to priority and coverage. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2023A BONDS—Rate Covenant."

Electric rates are established by the City of Riverside Board of Public Utilities (the "**Board**"), subject to approval by the City Council, and are not subject to regulation by the California Public Utilities Commission or any other State agency.

Limited Obligation. The City's General Fund is not liable for the payment of the principal of or interest and redemption premium (if any) on the 2023A Bonds, nor is the credit or the taxing power of the City pledged to the payment of the principal of or interest and redemption premium (if any) on the 2023A Bonds. No 2023A Bondowner may compel the exercise of the taxing power of the City or the forfeiture of any of its property. The principal of and interest and redemption premium (if any) on the 2023A Bonds are neither a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues, except the Net Operating Revenues of the Electric System and other funds, security or assets that are, under the terms of the Resolution, pledged to the payment of the principal of and interest and redemption premium (if any) on the 2023A Bonds.

Joint Powers Agency Obligations

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

The City may enter into additional joint powers arrangements in the future which require the City to make payments that constitute Operating and Maintenance Expenses of the Electric System. Such payments would be payable on a senior basis to the 2023A Bonds.

Outstanding Prior Debt

The 2023A Bonds are secured by and payable from Net Operating Revenues on a parity with Prior Parity Bonds (as such term is defined under the caption "PRIOR DEBT AND DEBT SERVICE—Outstanding Prior Debt and Swap Agreement") which were outstanding in the aggregate principal amount of $489,855,000 as of December 1, 2023. See the caption "PLAN OF FINANCE—Refunding Plan" for a discussion of the refunding of a portion of such Prior Parity Bonds from proceeds of the 2023A Bonds.

Additional Bonds and Parity Debt

The City is authorized under the Resolution to issue additional bonds (the "**Additional Bonds**") that are secured by a pledge of and lien upon, and payable from, Net Operating Revenues and other funds, assets and security described under the Resolution on a parity with the 2023A Bonds and the Prior Parity Bonds. The 2023A Bonds, together with the Prior Parity Bonds and any Additional Bonds, are referred to in this Official Statement as the "**Bonds**."

Currently, the City expects to issue a series of Additional Bonds in or about late January 2024 (the "**2024A Bonds**") in the anticipated aggregate principal amount of $144,000,000 (excluding the issuance of up to $146,000,000 in additional principal which has been authorized (for a total principal amount of $290,000,000) and which may be applied to refund outstanding Prior Parity Bonds). The City also projects the issuance of Additional Bonds to finance components of the Electric System CIP. See the caption "THE ELECTRIC SYSTEM—Capital Improvement Program." The issuance of the 2024A Bonds was approved by the City Council on November 7, 2023. Notwithstanding the foregoing, there can be no assurance that the 2024A Bonds or the other Additional Bonds will be issued at the times or in the amounts that are currently contemplated.

See also the caption "—Transmission and Distribution Facilities—Sub-Transmission and Distribution" for a discussion of the expected issuance of the RTRP Bonds to finance construction of RTRP. If issued, the RTRP Bonds will also constitute Additional Bonds.

The City is authorized to issue and incur additional obligations that do not constitute Bonds which are secured by and payable from Net Operating Revenues on a parity with the Bonds. Any such obligations are referred to in this Official Statement as "**Parity Debt**." The City currently has no outstanding Parity Debt.

See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2023A BONDS—Additional Bonds and Parity Debt."

2023A Reserve Account Not Funded

The City has established a debt service reserve account for the 2023A Bonds, but the 2023A Bond Reserve Requirement is $0. Consequently, no amounts will be deposited into such debt service reserve account.

Subordinate Obligations

The City has incurred certain obligations and has the right to issue additional obligations that are secured by and payable from Net Operating Revenues on a subordinate basis to the Bonds and any Parity Debt. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2023A BONDS—Subordinate Obligations."

Redemption of the 2023A Bonds

The 2023A Bonds are subject to optional redemption as described under the caption "DESCRIPTION OF THE 2023A BONDS—Redemption Provisions."

Continuing Disclosure

In connection with the issuance of the 2023A Bonds, the City will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of the owners and Beneficial Owners of the 2023A Bonds to provide certain financial information and operating data relating to the Electric System and notices of the occurrence of certain enumerated significant events. See the caption "CONTINUING DISCLOSURE" and Appendix D.

Summaries and References to Documents

Brief descriptions of the 2023A Bonds, the security and sources of payment for the 2023A Bonds and the Electric System and summaries of the Resolution and certain other documents are included in this Official Statement. Such descriptions and summaries do not purport to be comprehensive or definitive. All references in this Official Statement to the 2023A Bonds, the Resolution and any other documents are qualified in their entirety by reference to such documents, copies of which are available for inspection at the office of the City Clerk located at Riverside City Hall, 3900 Main Street, Riverside, California 92522, telephone: (951) 826-5557.

A copy of the most recent annual report of the Electric System may be obtained from the Utilities Assistant General Manager, Finance and Administration of the City of Riverside Public Utilities Department, at the same address. Financial and statistical information set forth in this Official Statement, except for the audited financial statements included in Appendix B or as otherwise indicated, is unaudited.

All capitalized terms which are used in this Official Statement and not otherwise defined have the meanings set forth in the Resolution.

PLAN OF FINANCE

General

The 2023A Bonds are being issued: (i) to refund all of the outstanding 2013A Bonds, as described under the caption "—Refunding Plan;" and (ii) to pay costs of issuance of the 2023A Bonds. See the caption "—Estimated Sources and Uses of Funds."

Refunding Plan

The City has previously issued the 2013A Bonds, which are currently outstanding in the aggregate principal amount of $34,370,000, pursuant to the Resolution. The City plans to apply a portion of the proceeds of the 2023A Bonds, together with certain other moneys, to refund all of the outstanding 2013A Bonds on or about March 5, 2024 (the "**2013A Bonds Redemption Date**") at a redemption price equal to the outstanding principal amount of the 2013A Bonds being refunded plus accrued interest to such date, without premium.

In order to effect the refunding of the 2013A Bonds, the City will: (i) cause a portion of the proceeds of the 2023A Bonds to be delivered to U.S. Bank Trust Company, National Association, as escrow agent (the "**Escrow Agent**"); and (ii) direct U.S. Bank National Association, as fiscal agent for the 2013A Bonds (the "**Refunded Bonds Fiscal Agent**") to transfer certain amounts held in funds and accounts established in connection with the 2013A Bonds to the Escrow Agent, all pursuant to an Escrow Agreement (2013A Electric Bonds), dated as of December 1, 2023 (the "**Escrow Agreement**"), by and among the City, the Refunded

Bonds Fiscal Agent and the Escrow Agent. Such amounts will be deposited in an escrow fund established under the Escrow Agreement (the "**Escrow Fund**"). The amounts deposited in the Escrow Fund will be invested in federal securities as set forth in the Escrow Agreement. From the moneys on deposit in the Escrow Fund and the investment earnings thereon, the Refunded Bonds Fiscal Agent will pay, on the 2013A Bonds Redemption Date, the principal of the outstanding 2013A Bonds maturing after the 2013A Bonds Redemption Date, plus interest thereon accrued through the 2013A Bonds Redemption Date, without premium.

Sufficiency of the amounts applied for the purposes described in the prior paragraph will be verified by Robert Thomas CPA, LLC (the "**Verification Agent**"). Assuming the accuracy of such computations, as a result of the deposit of funds described above, the 2013A Bonds will be defeased on the date of issuance of the 2023A Bonds in accordance with the Master Resolution and Resolution No. 22357 of the City adopted on June 18, 2013. Upon the issuance of the 2023A Bonds, the Verification Agent will deliver a report on the mathematical accuracy of such computations based upon certain information and assertions provided to it by the Underwriters relating to the adequacy of the moneys deposited in the Escrow Fund to effect the refunding and defeasance of the 2013A Bonds.

The amounts deposited into the Escrow Fund to redeem the 2013A Bonds are pledged solely to the redemption of the 2013A Bonds. Neither such moneys nor any related investment earnings will be available for the payments of principal of and interest on the 2023A Bonds.

Estimated Sources And Uses Of Funds

The following table sets forth the estimated sources and uses of funds relating to the 2023A Bonds:

Sources(1):	
Principal Amount	$ 31,390,000
Plus Original Issue Premium	3,300,044
Other Moneys(2)	283,243
Total Sources	$ 34,973,287
Uses(1):	
Transfer to Refunded Bonds Fiscal Agent for Refunding of 2013A Bonds	$ 34,623,611
Costs of Issuance(3)	349,675
Total Uses	$ 34,973,287

(1) All amounts rounded to the nearest dollar. Totals may not add due to rounding.
(2) Reflects moneys held in funds and accounts established in connection with the 2013A Bonds.
(3) Includes Underwriters' discount and certain legal, municipal advisory, rating agency, Verification Agent, printing and other financing-related costs.

Source: Underwriters.

PRIOR DEBT AND DEBT SERVICE

Outstanding Prior Debt

The 2023A Bonds are secured by and payable from Net Operating Revenues on a parity with the following outstanding bonds (collectively, the "**Prior Parity Bonds**"):

TABLE 1
OUTSTANDING PARITY DEBT

Name of Issue	*Outstanding Principal Amount*[1]
Variable Rate Refunding Electric Revenue Bonds, Issue of 2008A[2] (the "**2008A Bonds**")	$ 34,465,000
Variable Rate Refunding Electric Revenue Bonds, Issue of 2008C[3] (the "**2008C Bonds**")	32,150,000
Electric Revenue Bonds, Issue of 2010A (Federally Taxable Build America Bonds – Direct Payment)[4] (the "**2010A Bonds**")	123,515,000
Variable Rate Refunding Electric Revenue Bonds, Issue of 2011A[5] (the "**2011A Bonds**")	32,875,000
Refunding Electric Revenue Bonds, Issue of 2013A[6] (the "**2013A Bonds**")	34,370,000
Refunding Electric Revenue Bonds, Issue of 2019A[7] (the "**2019A Bonds**")	232,480,000
Total	$489,855,000

(1) As of December 1, 2023.
(2) Issued pursuant to the Master Resolution and Resolution No. 21611 adopted on April 22, 2008.
(3) Issued pursuant to the Master Resolution and Resolution No. 21613 adopted on April 22, 2008.
(4) Issued pursuant to the Master Resolution and Resolution No. 22127 adopted on November 23, 2010.
(5) Issued pursuant to the Master Resolution and Resolution No. 22193 adopted on April 5, 2011.
(6) Issued pursuant to the Master Resolution and Resolution No. 22357 adopted on June 18, 2013. See the caption "PLAN OF FINANCE—Refunding Plan" for a discussion of the refunding of these obligations.
(7) Issued pursuant to the Master Resolution and Resolution No. 23409 adopted on January 22, 2019.
Source: City.

See the caption "INTRODUCTION—Additional Bonds and Parity Debt" for a discussion of the expected issuance of Additional Bonds in 2024 and 2026.

Debt Service Requirements

The following table sets forth the estimated debt service on the Prior Parity Bonds and the 2023A Bonds, assuming no optional redemptions.

TABLE 2
DEBT SERVICE REQUIREMENTS[1]

Fiscal Year Ending June 30	*Prior Parity Bonds Principal*[2]	*Prior Parity Bonds Interest*[3]	*2023A Bonds Principal*	*2023A Bonds Interest*	*Total 2023A Bonds*	*Total Bonds Debt Service*[3]	*Less Treasury Credits*[4][5]	*Total Bonds Debt Service Net of Treasury Credits*[4][5]
2024	$ 17,515,000	$ 25,419,738	$ -	$ -	$ -	$ 42,934,738	$ (3,111,418)	$ 39,823,320
2025	17,280,000	23,665,771	990,000	2,046,118	3,036,118	43,981,889	(3,050,004)	40,931,885
2026	18,195,000	22,764,351	1,000,000	1,495,000	2,495,000	43,454,351	(2,985,755)	40,468,596
2027	18,950,000	21,911,409	1,030,000	1,444,250	2,474,250	43,335,659	(2,916,400)	40,419,259
2028	19,750,000	21,017,342	1,100,000	1,391,000	2,491,000	43,258,342	(2,841,723)	40,416,619
2029	20,570,000	20,086,765	1,155,000	1,334,625	2,489,625	43,146,390	(2,763,479)	40,382,911
2030	21,435,000	19,118,575	1,210,000	1,275,500	2,485,500	43,039,075	(2,681,420)	40,357,654
2031	22,335,000	18,104,504	1,270,000	1,213,500	2,483,500	42,923,004	(2,595,364)	40,327,640
2032	23,290,000	17,028,595	1,335,000	1,148,375	2,483,375	42,801,970	(2,504,194)	40,297,775
2033	24,290,000	15,902,187	1,400,000	1,080,000	2,480,000	42,672,187	(2,407,621)	40,264,566
2034	25,335,000	14,725,188	1,470,000	1,008,250	2,478,250	42,538,438	(2,306,279)	40,232,159
2035	24,430,000	13,545,412	1,545,000	932,875	2,477,875	40,453,287	(2,199,916)	38,253,371
2036	25,475,000	12,363,048	1,620,000	853,750	2,473,750	40,311,798	(2,088,282)	38,223,516
2037	26,555,000	11,089,332	1,705,000	770,625	2,475,625	40,119,957	(1,971,127)	38,148,830
2038	27,880,000	9,600,877	1,785,000	683,375	2,468,375	39,949,252	(1,848,198)	38,101,054
2039	29,270,000	8,038,230	1,875,000	591,875	2,466,875	39,775,105	(1,719,182)	38,055,922
2040	35,680,000	5,927,345	1,975,000	495,625	2,470,625	44,077,970	(1,249,807)	42,828,163
2041	37,445,000	3,241,393	2,070,000	394,500	2,464,500	43,150,893	(423,254)	42,727,639
2042	3,910,000	1,768,250	2,175,000	288,375	2,463,375	8,141,625	-	8,141,625
2043	4,105,000	1,567,875	2,285,000	176,875	2,461,875	8,134,750	-	8,134,750
2044	4,310,000	1,357,500	2,395,000	59,875	2,454,875	8,122,375	-	8,122,375
2045	4,525,000	1,136,625	-	-	-	5,661,625	-	5,661,625
2046	4,750,000	904,750	-	-	-	5,654,750	-	5,654,750
2047	4,985,000	661,375	-	-	-	5,646,375	-	5,646,375
2048	5,235,000	405,875	-	-	-	5,640,875	-	5,640,875
2049	5,500,000	137,500	-	-	-	5,637,500	-	5,637,500
Total	$473,000,000	$291,489,809	$31,390,000	$18,684,368	$50,074,368	$814,564,177	$(41,663,424)	$772,900,753

(1) Totals may not add due to rounding.
(2) Does not include debt service on the 2013A Bonds, which are being refunded from proceeds of the 2023A Bonds. See the caption "PLAN OF FINANCE—Refunding Plan."
(3) Reflects an assumed annual interest rate of 3.111% on the hedged portion of the 2008A Bonds, 3.204% on the 2008C Bonds and 3.201% on the 2011A Bonds, reflecting the anticipated effect of the 2004 Swap Agreement and the 2005 Swap Agreements. Also assumes an interest rate of 3.500% on the unhedged portion of the 2008A Bonds.
(4) Reflects amounts payable by the federal government under Section 6431 of the Internal Revenue Code of 1986 (the "**Code**"), which the City will elect to receive under Section 54AA(g)(1) of the Code. These amounts are currently included in Gross Operating Revenues for purposes of the rate covenant under the Resolution. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2023A BONDS—Rate Covenant—Future Change in Rate Covenant."
(5) On March 1, 2013, automatic spending cuts by the federal government known as the "sequester" took effect. For the period from October 1, 2020, through and including September 30, 2021, the cuts included a 5.7% reduction in amounts payable by the federal government to issuers of Build America Bonds (and other direct pay bonds) under Section 6431 of the Code, as determined by the Office of Management and Budget (the "**2020-21 Sequestration Rate**"). Because the 2010A Bonds were issued as Build America Bonds and will be affected by the reduction in credits (absent future Congressional action), more Net Operating Revenues will be needed to pay debt service on the 2010A Bonds than previously scheduled in order to offset the impact of the sequester. Under the Infrastructure Investment and Jobs Act enacted in 2021, the reduction of the sequester will continue through September 30, 2031 at the 2020-21 Sequestration Rate; however, this table assumes that the 2020-21 Sequestration Rate remains in effect through the final maturity of the 2010A Bonds on October 1, 2040.

DESCRIPTION OF THE 2023A BONDS

General

The 2023A Bonds will be dated their date of delivery and mature on the dates and in the respective amounts, and bear interest at the respective rates per annum (calculated on the basis of a 360-day year consisting of twelve 30-day months), shown on the inside front cover of this Official Statement.

The 2023A Bonds may be purchased in book-entry form only, in principal amounts of $5,000 or any integral multiple thereof. Interest on the 2023A Bonds will be payable on October 1, 2024 and each April 1 and October 1 thereafter (each, an "**Interest Payment Date**"), to the owners of record at the close of business on the 15th day of the preceding calendar month (a "**Record Date**"). Interest will be payable by check mailed by first-class mail to the persons whose names appear on the registration books of U.S. Bank Trust Company, National Association, as fiscal agent for the 2023A Bonds (the "**Fiscal Agent**"), as the registered Owners of such 2023A Bonds as of the close of business on the Record Date at such persons' addresses as they appear on such registration books, except that an Owner of $1,000,000 or more in principal amount of 2023A Bonds may be paid interest by wire transfer to an account in the United States if such Owner makes a written request of the Fiscal Agent at least 30 days preceding any Interest Payment Date specifying the wire transfer instructions for such Owner. The notice may provide that it will remain in effect for later interest payments until changed or revoked by another written notice. Payments of defaulted interest will be paid by check to the Owners as of a special record date to be fixed by the Fiscal Agent, notice of which special record date will be given to the Owners by the Fiscal Agent not less than 10 days prior to that date.

Each 2023A Bond will bear interest from the Interest Payment Date before its date of authentication: (a) unless it is authenticated: (i) during the period after a Record Date but on or before the next in Interest Payment Date, in which event it will bear interest from that interest payment date; or (ii) prior to the first Record Date, in which event it will bear interest from the dated date of the 2023A Bonds; or (b) unless at the time of authentication interest is in default, in which event it will bear interest from the Interest Payment Date to which interest has been paid or provided for.

So long as any 2023A Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"), procedures with respect to the transfer of ownership, redemption and the payment of principal, redemption price, premium, if any, and interest on such 2023A Bond will be in accordance with arrangements among the City, the Fiscal Agent and DTC. DTC is obligated in turn to remit payment of principal, redemption price, premium, if any, and interest on 2023A Bonds to its participants for subsequent disbursement to the beneficial owners of the 2023A Bonds. See Appendix F.

Redemption Provisions

Optional Redemption. The 2023A Bonds maturing on and after October 1, 2034 are subject to redemption prior to their stated maturity dates, at the option of the City, from any source of available funds, in whole or in part on October 1, 2033 or any date thereafter, at a redemption price of 100% of the principal amount to be redeemed, without premium, plus accrued but unpaid interest to the redemption date.

Selection of 2023A Bonds for Redemption. If less than all 2023A Bonds are to be redeemed, the maturities of 2023A Bonds to be redeemed may be selected by the City. The City will give written notice of its selection not later than 15 Business Days (or such shorter period as may be agreed to by the Fiscal Agent) before the last day on which the Fiscal Agent may give notice of redemption to the Owners of the 2023A Bonds. If the City does not give notice of its selection, the Fiscal Agent will select the Bonds to be redeemed in inverse order of maturity. If less than all of the 2023A Bonds of like maturity are to be redeemed, the particular 2023A Bonds or portions of 2023A Bonds to be redeemed will be selected at random by the Fiscal Agent in such manner as the Fiscal Agent in its discretion may deem fair and appropriate.

Notice of Redemption. The Fiscal Agent will give notice of the redemption of 2023A Bonds to: (i) the Owners of the 2023A Bonds called for redemption; (ii) certain securities depositories; and (iii) one or more information services. Notice of such redemption will be given by first class mail to the Owners of the 2023A Bonds designated for redemption at their addresses appearing on the bond registration books, not less than 30 days nor more than 60 days prior to the redemption date. The failure by the Fiscal Agent to give notice to any one or more of the securities depositories or information services or failure of any Owner to receive notice of redemption or any defect in such notice will not affect the sufficiency of the proceedings for the redemption of 2023A Bonds.

In the event of an optional redemption of 2023A Bonds, if the City will not have deposited or otherwise made available to the Fiscal Agent or other applicable party the money required for the payment of the redemption price of the 2023A Bonds to be redeemed at the time of such mailing, such notice of redemption will state that the redemption is expressly conditioned upon the timely deposit of sufficient funds therefore with the Fiscal Agent or other applicable party.

When notice of redemption has been given as provided in the Resolution, the 2023A Bonds or portions thereof so called for redemption will become due and payable on the redemption date, and upon presentation and surrender of such 2023A Bonds at the place specified in such notice of redemption, such 2023A Bonds will be redeemed and paid at said redemption price. If on the redemption date, moneys for the redemption of the 2023A Bonds to be redeemed will be available therefor on the redemption date, then from and after the redemption date, interest on the 2023A Bonds to be redeemed will cease to accrue.

SECURITY AND SOURCES OF PAYMENT FOR THE 2023A BONDS

Net Operating Revenues

Pursuant to the Law, the 2023A Bonds are special limited obligations of the City, secured by a pledge of, a charge upon and payable, as to the principal thereof, the interest thereon and any premium upon redemption thereof, solely from the Net Operating Revenues and other funds, assets and security described under the Resolution, on a parity with the Prior Parity Bonds and any Additional Bonds or Parity Debt issued in the future.

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

"**Gross Operating Revenues**" consist of: (i) all revenues from rates, fees and charges for providing electric service to persons and real property and all other fees, rents and charges and other revenues derived by the City from the ownership, operation, use or service of the Electric System, including contributions in aid of construction; and (ii) all amounts periodically required to be paid by all Subordinate Swap Providers to the City under all Subordinate Swaps ("**Subordinate Swap Receipts**"), including the 2004 Swap Agreement and the 2005 Swap Agreements. See the caption "—Subordinate Obligations."

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

Limited Obligation

The General Fund of the City is not liable for the payment of the principal of or interest and redemption premium on the 2023A Bonds, nor is the credit or the taxing power of the City pledged for the payment of the principal of or interest and redemption premium (if any) on the 2023A Bonds. No Owner may compel the exercise of the taxing power of the City or the forfeiture of any of its property. None of the principal of or interest or redemption premium on the 2023A Bonds constitutes a debt of the City or a legal or equitable pledge, charge, lien or encumbrance upon any of its property, or upon any of its income, receipts or revenues, except the Net Operating Revenues of the Electric System and other funds, security or assets that are, under the terms of the Resolution, pledged to the payment of the principal of or interest and redemption premium (if any) on the 2023A Bonds.

Resolution Flow of Funds

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

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

The City did not fund debt service reserve accounts for the 2010A Bonds, 2011A Bonds, 2013A Bonds or 2019A Bonds and is not funding a debt service reserve account for the 2023A Bonds. See the caption "—Debt Service Reserve Account Not Funded."

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

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

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

Interest Account. The Treasurer will set aside in the Interest Account as soon as practicable in each month an amount equal to: (a) with respect to the Outstanding Current Interest Bonds of each Series (except for Bonds constituting Variable Rate Indebtedness or Paired Obligations), such amount as will be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on the next interest payment date for all such Outstanding Current Interest Bonds of such Series (excluding any interest for which there are moneys deposited in the Interest Account from the proceeds of such Series of Bonds or other source and reserved as capitalized interest to pay such interest until the next interest payment date), until the requisite amount of interest becoming due on the next interest payment date on all such Outstanding Current Interest Bonds of such Series (except for Bonds constituting Variable Rate Indebtedness or Paired Obligations) is on deposit in such fund; (b) with respect to Outstanding Paired Obligations, such amount as will be sufficient on a monthly pro rata basis to pay the aggregate of the collective fixed interest obligation of the City for such Paired Obligations coming due and payable on the next interest payment date for such Paired Obligations; (c) 110% of the aggregate amount of interest, estimated by the Treasurer in his or her reasonable judgment, to accrue during that month on the Outstanding Variable Rate Indebtedness; *provided, however*, that the amount of the deposit into the Interest Account for any month may be reduced (but only to the extent the amount payable by the City was or will be reduced) by the amount by which the deposit in the prior month for interest estimated to accrue on Outstanding Variable Rate Indebtedness exceeded the actual amount of interest accrued during that month on said Outstanding Variable Rate Indebtedness and further provided that the amount of the deposit into the Interest Account for any month will be increased (but only to the extent the amount payable by the City was or will be increased) by the amount by which the deposit in the prior month for interest estimated to accrue on Outstanding Variable Rate Indebtedness was less than the actual amount of interest accrued during that month on said Outstanding Variable Rate Indebtedness; and (d) only after all deposits have been made for such month in the Principal Account and the Bond Reserve Accounts as provided in the subcaptions "—Principal Account" and "—Reserve Accounts; Supplemental Deposit" below, respectively, all Subordinate Payments becoming due and payable under all Subordinate Obligations for that month (or if the amount of the Subordinate Payments is not then known, the amount, estimated by the Treasurer in his or her reasonable judgment, to become due and payable under all Subordinate Obligations during that month). No deposit need be made into the Interest Account if the amount contained therein is at least equal to: (i) the interest to become due and payable on the interest payment dates falling within the next six months upon all of the Bonds issued under the Resolution and then Outstanding (but excluding any moneys on deposit in the Interest Account from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future interest payment dates following such interest payment dates); and (ii) the payments becoming due and payable under all Subordinate Obligations during that month as described in clause (d) above. Payments of interest for Parity Debt that are required to be placed in any debt service fund to pay interest on such Parity Debt will rank and be made pari passu with the payments required to be placed in the Interest Account.

Principal Account. The Treasurer will deposit in the Principal Account as soon as practicable in each month an amount equal to at least: (i) one-sixth of the aggregate semiannual amount of Bond Obligation becoming due and payable on the Outstanding Bonds having semi-annual maturity dates or semi-annual Mandatory Sinking Account Payments due within the next six months; plus (ii) one-twelfth of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding Bonds having annual maturity dates or annual Mandatory Sinking Account Payments due within the next 12 months, provided that if the City Council irrevocably determines by resolution that any principal payments on the Bonds of any Series will be refunded on or prior to their due dates or paid from amounts on deposit in a reserve account established and maintained for Bonds of that Series, no amounts need be set aside towards such principal to be so refunded or paid. If, during the twelve-month period immediately preceding a Mandatory Sinking Account Payment Date, the Treasurer has purchased Term Bonds of a Series and maturity subject to such Mandatory Sinking Account Payment with moneys in the Principal Account, or, during said period and prior to giving said notice of redemption, the City has deposited Term Bonds of such Series and maturity with the Fiscal Agent for cancellation, or Term Bonds of such Series and maturity were at any time purchased, such Term Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce amounts required to be deposited in the Principal Account. All Term Bonds purchased from the Principal Account or deposited by the City with the Fiscal Agent will be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Term Bonds, then as a credit against such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the City. All Term Bonds redeemed by the Treasurer or the Fiscal Agent for such Series from amounts in the Redemption Account will be credited to such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the City.

No deposit need be made into the Principal Account so long as there is in such fund moneys sufficient to pay the Bond Obligations of all Bonds issued under the Resolution and then Outstanding and maturing by their terms or subject to mandatory redemption within the next twelve months. Payments of principal on Parity Debt that are required to be placed in any debt service fund or sinking fund to pay the principal of, or mandatory sinking fund payments with respect to, such Parity Debt will rank and be made pari passu with the payments required to be placed in the Principal Account.

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

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

Excess Earnings and Certain Other Amounts. Following the transfers described above as required by the Resolution, the Treasurer will deposit into the excess earnings or rebate account or yield reduction sinking fund or account (established for the purpose of reducing the yield on certain proceeds of Bonds on deposit in a refunding escrow fund in order to satisfy the rules relating to the yield restriction of such proceeds under section 148 of the Code and applicable regulations of the United States Treasury) for the Prior Parity Bonds, the 2023A Bonds, and any other Bonds or Parity Debt the amount, if any, at such times as will be required pursuant to the Supplemental Resolution or other document creating such account.

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

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

Application of Funds in the Bond Service Account

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

Principal Account. All amounts in the Principal Account will be used and withdrawn by the Treasurer solely for the purposes of paying the Bond Obligation of the Bonds when due and payable at maturity or upon redemption and making payments to providers of any Credit Facility for any Bonds with respect to reimbursement to such providers of payments of principal of Bonds made by such providers. Notwithstanding the foregoing, the Treasurer may apply moneys in the Principal Account to the purchase of Bonds maturing or subject to mandatory sinking fund redemption: (i) within the next six months in the case of Bonds subject to semiannual maturity dates or semiannual Mandatory Sinking Account Payments; or (ii) within the next twelve months in the case of Bonds subject to annual maturity dates or annual Mandatory Sinking Account Payments (but only to the extent of amounts deposited in the Principal Account in respect of such Bonds), at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as is directed by the City, except that the purchase price (excluding accrued interest, in the case of Current Interest Bonds) will not exceed the principal amount or Accreted Value thereof. All Bonds purchased pursuant to the foregoing provisions will be delivered to the Fiscal Agent for such Bonds and cancelled and destroyed by that Fiscal Agent and a certificate of destruction will be delivered to the Treasurer by the Fiscal Agent for such Series.

Rate Covenant

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

(a) Operating and Maintenance Expenses;

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

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

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

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

Future Change in Rate Covenant. Pursuant to the Resolution No. 21934 adopted by the City Council on November 17, 2009, certain provisions of the Master Resolution were amended as set forth below, *and holders of the 2023A Bonds, by purchasing the 2023A Bonds, agree that the 2023A Bonds shall be subject to such amendment*; provided that such amendment will not take effect: (i) while the 2008A Bonds and 2008C Bonds are outstanding; or (ii) while the Subordinate Swaps and Subordinate Swap Policy are in effect (unless the consent of the Subordinate Swap Providers (to the extent required by the Subordinate Swaps) or the Subordinate Swap Policy Providers (to the extent required by the Subordinate Swaps) is received):

> "For purposes of calculating the interest due [under (b) above under the subcaption "—Existing Covenant,"] if interest on such Bonds or Parity Debt is reasonably anticipated to be reimbursed to the City by the United States of America pursuant to Section 54AA of the

Internal Revenue Code of 1986, as amended (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009), or any future similar program, then interest payments with respect to such Bonds or Parity Debt will be excluded by the amount of such interest reasonably anticipated to be paid or reimbursed by the United States of America."

The foregoing paragraph will be applicable to the calculation of interest due and for determination of Maximum Annual Debt Service with respect to the 2010A Bonds. See the caption "—Additional Bonds and Parity Debt" for a discussion of the applicability of the determination of Maximum Annual Debt Service.

Debt Service Reserve Account Not Funded

Under the Resolution, the City may, but is not required to, establish, pursuant to a Supplemental Resolution, a separate reserve fund or account for any Series of Bonds issued thereunder. Although a separate reserve account has been established for the 2023A Bonds, the City is not funding such account and has no obligation to fund the account in the future. The owners of the 2023A Bonds will not be entitled to amounts on deposit in any reserve accounts established for other series of Bonds.

Additional Bonds and Parity Debt

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

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

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

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

(ii) either:

(a) the Net Operating Revenues, calculated in accordance with generally accepted accounting principles, as shown by the books of the City for the latest Fiscal Year, or for any 12 consecutive month period within the last completed 18-month period ended not more than one month before the issuance of or incurrence of such additional Bonds or Parity Debt as set forth in a Certificate of the City; or

(b) the estimated Net Operating Revenues for the first complete Fiscal Year when the improvements to the Electric System financed with the proceeds of the additional Bonds or Parity Debt are in operation as estimated by and set forth in a Certificate of the City;

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

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

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

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

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

For definitions of the term "Maximum Annual Debt Service" and other capitalized terms used in this Official Statement, see Appendix C. See also the caption "—Rate Covenant" above for a change to the calculation methodology for debt service that will become effective when the 2008A Bonds and 2008C Bonds are no longer outstanding.

See the captions "INTRODUCTION—Additional Bonds and Parity Debt" and "THE ELECTRIC SYSTEM—Capital Improvement Program" for a discussion of the expected issuance of Additional Bonds on behalf of the Electric System. The issuance of Additional Bonds in the maximum principal amount of $290,000,000 (the 2024A Bonds) was approved by the City Council on November 7, 2023.

Subordinate Obligations

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

Existing Subordinate Obligations

2004 Swap Agreement. The City previously entered into an interest rate swap agreement (the "**2004 Swap Agreement**") in the form of an International Swaps and Derivatives Association, Inc. ("**ISDA**") Master Agreement and Schedule and related Transactions thereunder with Merrill Lynch Capital Services, Inc. (the "**2004 Swap Provider**") in connection with the City's Electric Revenue Bonds, Issue of 2004B. The 2004 Swap Agreement has been subsequently associated with the 2008A Bonds. The obligations of the 2004 Swap Provider under the 2004 Swap Agreement were guaranteed by Merrill Lynch & Co., Inc. (the "**2004 Swap Guarantor**"). The 2004 Swap Agreement has a scheduled termination date of October 1, 2029 and a current notional amount of $32,450,000.

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

2005 Swap Agreements. The City also previously entered into two interest rate swap agreements (each, a "**2005 Swap Agreement**" and collectively, the "**2005 Swap Agreements**") in the form of an ISDA Master Agreement and Schedule and related Transactions thereunder with Bear Stearns Capital Markets Inc. (the "**2005 Swap Provider**") in connection with its Electric Refunding/Revenue Bonds, Issue of 2005A and 2005B. The 2005 Swap Agreements were subsequently associated with the City's Variable Rate Refunding Electric Revenue Bonds, Issue of 2008B (the "**2008B Bonds**") and the 2008C Bonds, respectively. Upon the refunding of the 2008B Bonds from the proceeds of the 2011A Bonds, the 2005 Swap Agreement that had previously been associated with the 2008B Bonds became associated with the 2011A Bonds. The obligations of the 2005 Swap Provider under the 2005 Swap Agreements were guaranteed by The Bear Stearns Companies Inc. (the "**2005 Swap Guarantor**"). Each 2005 Swap Agreement has a scheduled termination date of October 1, 2035. The 2005 Swap Agreement that is associated with the 2011A Bonds has a current notional amount of $32,875,000 and the 2005 Swap Agreement that is associated with the 2008C Bonds has a current notional amount of $32,150,000.

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

Payments under Swap Agreements. The obligation of the City to make regularly scheduled payments to the 2004 Swap Provider and the 2005 Swap Provider (collectively, the "**Swap Providers**") under the 2004 Swap Agreement and 2005 Swap Agreements (collectively, the "**Swap Agreements**"), respectively, is subordinate to the City's obligation to make payments on the Bonds and Parity Debt. Under the Swap Agreements, the City pays a fixed rate of interest on specified notional amounts. In return, each Swap Provider pays a variable rate of interest equal to 62.68% of the one-month Fallback Rate (SOFR) plus 12 basis points on a like notional amount, all as provided in each applicable Swap Agreement. The periodic amounts payable by a party under each of the Swap Agreements are netted against the payments to be received by such party.

Both the City and the Swap Providers have the right to terminate the Swap Agreements prior to their respective stated termination dates under certain circumstances, including a default or the occurrence of certain termination events, and the City may be required to make a substantial termination payment to the applicable Swap Provider. In the event of early termination of any Swap Agreement, there can be no assurance that the City will: (i) receive any termination payment payable to the City by the applicable Swap Provider; (ii) have sufficient amounts to pay any termination payment payable by the City to the applicable Swap Provider; or (iii) be able to obtain replacement Swap Agreements with comparable terms.

In connection with the Swap Agreements, the City has entered into certain protocols, including amendments or supplements to the Swap Agreements, to comply with ISDA's Dodd-Frank Documentation Initiative and other requirements, including responses to regulatory requirements binding others, imposed under Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

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

Scheduled periodic payments received by the City from the 2004 Swap Provider and the 2004 Swap Guarantor under the 2004 Swap Agreement and from the 2005 Swap Provider under the 2005 Swap Agreements constitute Gross Operating Revenues under the Resolution. See the caption "—Net Operating Revenues." Notwithstanding the foregoing, any termination payments payable by the 2004 Swap Provider or the 2005 Swap Provider in connection with the termination of the 2004 Swap Agreement or the 2005 Swap Agreements, respectively, do *not* constitute Gross Operating Revenues.

Revolving Credit Facility. On February 1, 2022, the City entered into a revolving credit agreement (the "**Revolving Credit Agreement**") with U.S. Bank National Association. Under the terms and conditions of the Revolving Credit Agreement, the City may borrow up to $35,000,000 for purposes of the capital or operating financing needs of the Electric System (the "**Revolving Credit Facility**"). Each advance under the Revolving Credit Facility that is allocated to the Electric System will be secured by a subordinate pledge of Net Operating Revenues and accrue interest at a variable rate calculated by reference to the Bloomberg Short-Term Bank Yield Index on the first calendar day of each month. The Revolving Credit Facility matures on August 1, 2025 (the "**Maturity Date**"); however, any advance not paid on the Maturity Date will convert to a term loan that will amortize in equal quarterly payments commencing 90 days after the Maturity Date, and the term loan will accrue interest at a variable rate and become due and payable in full on the third anniversary of the Maturity Date. U.S. Bank National Association, as lender under the Revolving Credit Facility, has the right to terminate the commitment and accelerate amounts due by the City thereunder following certain events of default specified therein, including failure to meet covenants and payment defaults. As of November 1, 2023, the outstanding balance under the Revolving Credit Facility was $0.

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

THE CITY

General information about the City, its location and its demographics is set forth in Appendix A.

THE PUBLIC UTILITIES DEPARTMENT

Management of the Public Utilities Department

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

Management of RPU is as follows:

Mr. Todd Corbin, Utilities General Manager, holds a Certified Public Accountant license (inactive), a Bachelor of Science in Business Administration/Accounting from Indiana University of Pennsylvania and a Master of Public Administration from California State University, San Bernardino. He joined the City in

November 2018 with 28 years of California utility experience, including serving as General Manager of the Jurupa Community Services District for six years. Prior to that, he served in various management roles including Assistant General Manager of the Cucamonga Valley Water District in Rancho Cucamonga.

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

Ms. Carlie Myers, Assistant General Manager/Business Systems and Customer Service, holds a Bachelor of Science in Business Administration from the University of Phoenix and has over 20 years of management experience with the City, including as Deputy City Manager, and in various positions within the Community and Economic Development Department and the Fire Department. She has been with the City since 1999.

Mr. Daniel Honeyfield, Assistant General Manager/Energy Delivery, holds a Bachelor of Science in Electrical Engineering from California Polytechnic State University, Pomona, a Master of Business Administration from the University of Phoenix and a professional engineering license through the State of California. He has over 17 years of utility experience, serving five years as Engineering Manager for the Sacramento Municipal Utility District and in various roles for Riverside Public Utilities, including Senior Electric Utilities Engineer.

Board of Public Utilities

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

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

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

Gildardo Oceguera – Chair of the Board, appointed to the Board in 2017, current term expires March 1, 2025. Mr. Oceguera is a retired high school principal with prior experience as a teacher and high school and community college counselor.

Rebeccah A. Goldware – Vice Chair of the Board, appointed to the Board in 2021, current term expires March 1, 2024. Ms. Goldware is a Vice Chancellor of a local community college district.

David M. Crohn – Appointed to the Board in 2016, current term expires March 1, 2024. Mr. Crohn is an Associate Professor in the Department of Environmental Sciences at a local university.

Nipunjeet Gujral – Appointed to the Board in 2022, current term expires March 1, 2026. Mr. Gujral is a data scientist with Global Infotek.

Rosemary Heru – Appointed to the Board in 2021, current term expires March 1, 2025. Ms. Heru has two decades of experience in leading customer service, procurement and administration teams and previously served on the City's Cultural Heritage Board and Human Relations Commission.

Gary Montgomery – Appointed to the Board in 2021, current term expires March 1, 2025. Mr. Montgomery is an attorney and past Board Chair of the Greater Riverside Chambers of Commerce.

Nancy E. Melendez – Appointed to the Board in 2021, current term expires March 1, 2025. Ms. Melendez is a past member of the Board of Library Trustees and, prior to her retirement, worked as Assistant Director of the Riverside Community College District Foundation and Executive Director of Keep Riverside Clean and Beautiful. In addition, she co-founded the Spanish Town Heritage Foundation.

Brian D. Siana – Appointed to the Board in 2023, current term expires March 1, 2025. Mr. Siana is an associate professor of physics and astronomy at the University of California, Riverside.

Peter Wohlgemuth – Appointed to the Board in 2020, current term expires March 1, 2024. Mr. Wohlgemuth is a hydrologist with the United States Forest Service.

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

Employment Matters

Employee Relations. As of June 30, 2023, 237 City employees were assigned specifically to the Electric System. Substantially all the non-administrative City personnel assigned to the Electric System are represented by the International Brotherhood of Electrical Workers ("**IBEW**"). The City and IBEW are parties to a Memorandum of Understanding that expires on December 31, 2024. Portions of the administrative staff are represented by the Service Employees International Union ("**SEIU**"). The City and SEIU are parties to a Memorandum of Understanding that expires on June 30, 2025. While not under a memorandum of understanding, all unrepresented employees have compensation and benefit packages approved by the City Council. On September 20, 2022, the City Council approved changes for unrepresented employees through June 2025.

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

Employee Retirement Systems. Accounting and financial reporting by state and local government employers for defined benefit pension plans is governed by Governmental Accounting Standards Board

(“**GASB**”) Statement No. 68 (“**GASB 68**”). GASB 68 governs the accounting treatment of defined benefit pension plans, including how expenses and liabilities are calculated and reported by state and local government employers in their financial statements. GASB 68 includes the following components: (i) unfunded pension liabilities are included on the employer’s balance sheet; (ii) pension expense incorporates rapid recognition of actuarial experience and investment returns and is not based on the employer’s actual contribution amounts; (iii) lower actuarial discount rates are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities are required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. GASB 68 affects the City’s accounting and reporting requirements, but it does not change the City’s pension plan funding obligations.

Retirement benefits to City employees, including those assigned to the Electric System, are provided through the City’s participation in the California Public Employees Retirement System (“**CalPERS**”), an agency, multiple-employer, public employee retirement system that acts as a common investment and administrative agency for participating public entities within the State. CalPERS issues a separate, publicly available financial report that includes financial statements and required supplemental information of participating public entities within the State.

The City has a multiple tier retirement plan with benefits varying by plan. All permanent full-time and selected part-time employees are eligible for participation in CalPERS. Benefits vest after five years of service and are determined by a formula that considers the employee’s age, years of service and salary. All of the bargaining units included in the Miscellaneous CalPERS Plan, including Management, SEIU and IBEW employees of the Electric System and the City’s water utility, agreed to change the calculation of the CalPERS retirement benefit for new employees from an amount derived from the highest year of salary to an amount derived from the average of the highest three years of salary, which addressed concerns associated with salary increases in the year immediately prior to retirement. This change was effective for employees hired on or after December 9, 2011.

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

- 1st Tier -
    - The retirement formula is 2.7% at age 55 for unrepresented employees hired before October 19, 2011. Effective January 1, 2021, the employees contribute the entire required amount of 8% of their pensionable income.
    - The retirement formula is 2.7% at age 55 for SEIU employees hired before June 7, 2011. Effective November 1, 2020, employees contribute the entire required amount of 8% of their pensionable income.
    - The retirement formula is 2.7% at age 55 for IBEW employees hired before October 19, 2011. Effective January 1, 2020, employees contribute the entire required amount of 8% of their pensionable income.
- 2nd Tier - The retirement formula is 2.7% at age 55, and:
    - SEIU employees hired on or after June 7, 2011 pay their share (8%) of contributions.
    - All other Miscellaneous Plan employees hired on or after October 19, 2011 pay their share (8%) of contributions.

- 3rd Tier - The retirement formula is 2% at age 62 for new members hired on or after January 1, 2013 and the employee must pay the employee share ranging from 7% to 8% based on bargaining group classification. Classic members (employees who were CalPERS members prior to December 31, 2012) hired on or after January 1, 2013 may be placed in a different tier.

Contributions to the City's pension plan consist of: (a) contributions from plan participants (i.e., employees); and (b) contributions by the City. The City's contributions constitute an Operating and Maintenance Expense of the Electric System that is payable prior to the 2023A Bonds.

City employees who were hired on and after January 1, 2013 and who were not previously CalPERS members receive benefits based on a 2% at age 62 formula; such employees are required to make the full amount of required employee contributions themselves under the California Public Employees' Pension Reform Act of 2013 ("**AB 340**"), which was signed by the State Governor on September 12, 2012. AB 340 established a new pension tier: the 2% at age 62 formula, with a maximum benefit formula of 2.5% at age 67. Benefits for such participants are calculated on the highest average annual compensation over a consecutive 36 month period. Employees are required to pay at least 50% of the total normal cost rate. AB 340 also caps pensionable income as noted below. Amounts are set annually, subject to Consumer Price Index increases, and retroactive benefits increases are prohibited, as are contribution holidays and purchases of additional non-qualified service credit.

PENSIONABLE INCOME CAPS FOR CALENDAR YEAR 2023
(AB 340 AND NON-AB 340 EMPLOYEES)

	Employees Hired Before January 1, 2013 (Non-AB 340 Employees)	***Employees Hired on and After January 1, 2013 (AB 340 Employees)***
Maximum Pensionable Income	$330,000	$175,250
Maximum Pensionable Income if also Participating in Social Security	N/A	$146,042

Source: CalPERS.

Additional employee contributions, limits on pensionable compensation and higher retirement ages for new members as a result of the passage of AB 340 are expected to reduce the City's unfunded pension lability and potentially reduce City contribution levels in the long term.

CalPERS estimates savings for local agency plans as a result of AB 340 of approximately $1.653 billion to $2.355 billion over the 30-year period after its adoption, primarily due to increased employee contributions and, as the workforce turns over, lower benefit formulas that will gradually reduce normal costs. Savings specific to the City have not been quantified.

The City is also required to contribute the actuarially determined remaining amounts necessary to fund benefits for its members. The required employer normal cost rates for Fiscal Years 2021-22 and 2022-23 were 12.73% and 12.46%, respectively, for each benefit level, and the required employer payments of the unfunded accrued liability were $10,824,787 and $11,465,930, respectively. The required employer normal cost rate for Fiscal Year 2023-24 is 13.56%, and the required employer payment of the unfunded accrued liability is $0. The City issued pension obligation bonds in June 2020 (the "**2020 Pension Obligation Bonds**"), reducing the City's unfunded accrued liability significantly compared to years prior to Fiscal Year 2022-23.

Employer contribution rates for all public employers are determined on an annual basis by the CalPERS actuary and are effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The total minimum required employer contribution is the sum of the plan's employer normal cost rate, which funds pension benefits for current employees for the upcoming Fiscal Year (expressed as a percentage of payroll) plus the employer unfunded accrued liability contribution amount, which funds pension benefits that were previously earned by current and former employees (billed monthly). The normal cost rate is the annual cost of service accrual for the upcoming Fiscal Year of active employees.

The net pension liability is the difference between the total pension liability and the fair market value of pension assets. The City's total pension assets include funds that are held by CalPERS, and its net pension asset or liability is based on such amounts. The City's annual required contribution for the Miscellaneous plan's unfunded accrued liability in Fiscal Year 2023-24 is $0. The funded status of the City's Miscellaneous plan is 89.9% per the June 30, 2022 CalPERS Actuarial Valuation.

The following table summarizes the schedule of funding for the City's CalPERS Miscellaneous plan as of June 30, 2023 (valuation date of June 30, 2022).

CALPERS MISCELLANEOUS PENSION PLAN – SCHEDULE OF FUNDING PROGRESS

Valuation Date (June 30)	*Accrued Liability*	*Market Value of Assets*[(1)]	*Unfunded Liability*	*Funded Ratio*	*Annual Covered Payroll*
2018	$1,401,014,728	$1,090,728,598	$310,286,130	77.9%	$119,987,924
2019	1,462,992,745	1,138,310,022	324,682,723	77.8	126,381,375
2020	1,520,527,010	1,368,575,052	151,951,959	90.0	129,401,884
2021	1,570,873,013	1,638,143,404	(67,270,391)	104.3	128,059,046
2022	1,639,823,585	1,473,674,465	166,149,120	89.9	129,289,938

(1) Excludes funds held in a pension benefits trust fund established under Section 115 of the Internal Revenue Code. To date, the Electric Revenue Fund has not made any contributions to such fund, although such contributions are expected to commence in Fiscal Year 2023-24. Accordingly, amounts held in the fund are not currently available to reduce the Electric Revenue Fund's pension obligations.

Source: CalPERS Actuarial Valuation Report as of June 30, 2022, dated July 2023.

For Fiscal Years 2019-20, 2020-21 and 2021-22, the City incurred Miscellaneous plan pension expenses of $38,832,597, $26,274,890 and $27,329,625, respectively. The reduction in expenses beginning in Fiscal Year 2020-21 reflects the City's issuance of the 2020 Pension Obligation Bonds in June 2020. The City incurred Miscellaneous plan pension expenses of $29,142,739 in Fiscal Year 2022-23, based on unaudited actual results.

The Electric System is also obligated to pay its share of the 2020 Pension Obligation Bonds and pension obligation bonds which the City issued in 2004 and partially refinanced in May 2017 (collectively, the "**Prior Pension Obligation Bonds**" and, together with the 2020 Pension Obligation Bonds, the "**Pension Obligation Bonds**"). The Electric System's total proportional share of the outstanding principal amount of the Pension Obligation Bonds was approximately $59,343,946 as of June 30, 2023. That share will amortize based on the respective amortization schedules of the Pension Obligation Bonds (which extend to 2045). See also Note 4 to the audited Financial Statements of the Electric System attached as Appendix B to this Official Statement for further information.

A summary of principal assumptions and methods used to determine the total pension liability for Fiscal Year 2023-24 is shown below.

ACTUARIAL ASSUMPTIONS FOR CALPERS MISCELLANEOUS PENSION PLAN

Actuarial Cost Method	Entry Age Actuarial Cost Method
Asset Valuation Method	Fair Value of Assets
Actuarial Assumptions:	
Discount Rate(1)	6.90%
Inflation	2.50%
Salary Increases	Varies by entry age and service
Mortality Rate Table(2)	Derived using CalPERS' membership data for all funds

(1) Reflects discount rate assumption applicable to the City's Miscellaneous Plan. Does not match discount rate established by CalPERS Board of Administration for CalPERS investments.
(2) The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Source: GASB 68 Accounting Report for City of Riverside Miscellaneous Plan.

Beginning in Fiscal Year 2017-18, CalPERS began collecting employer contributions toward a pension plan's unfunded liability as dollar amounts instead of the prior method of a percentage of payroll. According to CalPERS, this change was intended to address potential funding issues that could arise from a declining payroll or a reduction in the number of active members in the plan. Funding the unfunded liability as a percentage of payroll could lead to underfunding of pension plans. Due to stakeholder feedback regarding internal needs for total contributions expressed as an estimated percentage of payroll, the CalPERS reports include such results in the contribution projection for informational purposes only. Contributions toward a pension plan's unfunded liability will continue to be collected as set dollar amounts.

The City's required contributions to CalPERS fluctuate each year and, as noted, include a normal cost component and a component that is equal to an amortized amount of the unfunded liability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations, including, among others, the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. In addition, the unfunded liability reflects certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years. As a result, the unfunded liability may be considered an estimate of the unfunded actuarial present value of the benefits that CalPERS will fund under the CalPERS plans to retirees and active employees upon their retirement, and not as a fixed expression of the liability that the City owes to CalPERS.

The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the City's required contributions to CalPERS in future years. Accordingly, the City cannot provide any assurances that the City's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions. CalPERS earnings reports for Fiscal Years 2011-12 through 2021-22 report investment gains of approximately 0.1%, 13.2%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6%, 6.7%, 4.7%, 21.3% and (6.1%), respectively. The preliminary earnings report for Fiscal Year 2022-23 reflects investment gains of approximately 5.8%. Future earnings performance may increase or decrease future contribution rates for plan participants, including the City. The City does not expect that any increased funding of pension benefits will have a material adverse effect on the ability of the City to pay the 2023A Bonds.

The announcement on July 12, 2021 that CalPERS achieved investment returns of 21.3% in Fiscal Year 2020-21 caused the CalPERS Board of Administration to lower CalPERS' discount rate from 7.00% to 6.80% in fall 2021 in accordance with a risk mitigation policy that was adopted in 2015, which calls for the discount rate to be lowered if returns exceed the then-current discount rate by two or more percentage points.

Lowering the discount rate means that employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013 who were not previously CalPERS members will also see their contribution rates rise under AB 340.

Portions of the above information are primarily derived from information that has been produced by CalPERS, its independent accountants and its actuaries. The City has not independently verified such information and neither makes any representations nor expresses any opinion as to the accuracy of the information that has been provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on CalPERS' Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information that concerns benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. The City cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future.

Changes in the net pension liability for the City's Miscellaneous plan in the most recent Fiscal Year for which information is available were as follows:

CHANGES IN CALPERS MISCELLANEOUS PENSION PLAN NET PENSION LIABILITY
(Dollars in Thousands)

	Increase / (Decrease)		
	Total Pension Liability	***Plan Fiduciary Net Position***	***Net Pension Liability / (Asset)***
Balance at June 30, 2021	$1,549,561,496	$1,638,244,651	$ (88,683,155)
Balance at June 30, 2022	1,605,411,929	1,473,710,885	131,701,044
Net Changes for period from July 1, 2021 through June 30, 2022	$ 55,850,433	$ (164,533,766)	$ 220,384,199

Source: CalPERS GASB 68 Accounting Report prepared for the City of Riverside Miscellaneous Plan as of June 30, 2022.

The table below presents the net pension liability of the City's Miscellaneous plan, calculated using the discount rate applicable to fiscal year 2022-23 (6.90%), as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.90%) or 1 percentage point higher (7.90%) than the current rate:

SENSITIVITY OF CALPERS MISCELLANEOUS PENSION PLAN NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE
(Dollars in Thousands)

	Discount Rate – 1% (5.90%)	***Applicable Discount Rate (6.90%)***	***Discount Rate + 1% (7.90%)***
Plan's Net Pension Liability/(Asset)	$350,679,711	$131,701,044	$48,111,021

Source: CalPERS GASB 68 Accounting Report prepared for the City of Riverside Miscellaneous Plan as of June 30, 2022.

For additional information relating to the City's CalPERS Miscellaneous pension plan, see Note 6 to RPU's audited Financial Statements for the Fiscal Year ended June 30, 2022, which are set forth in Appendix B.

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

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

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

Effective for the Fiscal Year ended June 30, 2018, GASB issued its Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("**GASB 75**"). GASB 75 requires a net OPEB liability to be reported on the balance sheet of the financial statements, similar to the net pension liability. GASB 75 requires that most changes in the net OPEB liability be included in OPEB expense in the period of the change. For Fiscal Years 2020-21, 2021-22 and 2022-23, the OPEB expense recorded for the Electric System was approximately $183,000, $530,000 and $431,000, respectively. The Electric System's net OPEB liability as of June 30, 2021, 2022 and 2023 was $11,125,610, $10,460,146 and $9,837,144], respectively.

Changes in the net liability for the City's post-employment benefit plan were as follows.

CHANGES IN OPEB PLAN LIABILITY
(Dollars in Thousands)

	Increase / (Decrease)		
	Total Post-Employment Benefit Plan Liability	***Plan Fiduciary Net Position***	***Net Post-Employment Benefit Plan Liability / (Asset)***
Balance at June 30, 2022	$48,770,385	$0	$48,770,385
Balance at June 30, 2022	45,470,582	0	45,470,582
Net Changes for period from July 1, 2021 through June 30, 2022	$ 3,299,803	$0	$ 3,299,803

Source: City of Riverside Actuarial Study of Retiree Health Liabilities Under GASB 74/75 as of June 30, 2022.

The following table presents the net liability of the City's OPEB plan, calculated using the discount rate applicable to Fiscal Year 2022-23 (3.54%), as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.54%) or 1 percentage point higher (4.54%) than the current rate:

SENSITIVITY OF OPEB PLAN NET LIABILITY TO CHANGES IN THE DISCOUNT RATE
(Dollars in Thousands)

	Discount Rate – 1% (2.54%)	*Current Discount Rate (3.54%)*	*Discount Rate + 1% (4.54%)*
Plan's Net Liability/(Asset)	$49,839,273	$45,470,582	$42,384,099

Source: City of Riverside Actuarial Study of Retiree Health Liabilities Under GASB 74/75 as of June 30, 2022.

The City does not currently expect unusual increases in OPEB funding expenses in the future. However, future changes in funding policies and assumptions, including those related to assumed rates of investment return and healthcare cost inflation, could trigger increases in the City's annual required contributions, and such increases could be material to the finances of the City. No assurance can be provided that such expenses will not increase significantly in the future. The City does not expect that any increased funding of OPEB will have a material adverse effect on the ability of the City to pay the 2023A Bonds.

For additional information relating to the City's OPEB plan, see Note 7 to RPU's audited Financial Statements for the Fiscal Year ended June 30, 2022, which are set forth in Appendix B.

Investment Policy and Controls

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

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

The City's portfolio is currently comprised of fixed rate United States Government Agency Bonds, federal agency securities, corporate notes that are rated at least "A", certificates of deposit and money market funds, including the State of California Local Agency Investment Fund. The City entered into certain interest rate swap agreements in connection with previously issued Bonds. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2023A BONDS—Subordinate Obligations."

The City's investment policy requires the investment of City funds to be made in accordance with Section 53600 *et seq*. of the California Government Code and the City's Investment Policy approved by the City Council on December 15, 2015. In the past, in connection with its budget adoption process, the City Council has annually delegated authority to the City's Treasurer for responsibility over investments. See Notes 2 and 3 to RPU's audited Financial Statements for the Fiscal Year ended June 30, 2022, which are set forth in Appendix B.

THE ELECTRIC SYSTEM

General

The Electric System operates as a vertically integrated utility providing service to virtually all electric consumers within the city limits of the City, which encompasses 81.5 square miles. The Electric System provides service throughout the City to domestic, commercial, industrial, agricultural, municipal and other customers. In Fiscal Year 2022-23, the number of metered customers of the Electric System was 112,751.

Power Supply

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

(i) the City's Springs Generating Project, Riverside Energy Resource Center ("**RERC**") Units 1, 2, 3 and 4 and Clearwater (see the caption "—City-Owned Generating Facilities");

(ii) entitlements in the Intermountain Power Project ("**IPP**") Generating Station, the Hoover Power Plant and, through the City's participation in SCPPA, the Palo Verde Nuclear Generating Station ("**PVNGS**") (see the caption "—Entitlements");

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

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

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

For Fiscal Year 2022-23, the overall average net cost of generation and transmission was 9.6 cents per kilowatt-hour ("**kWh**").

The following table sets forth the amounts in megawatt hours ("**mWhs**") and percentages of electricity obtained by the City during Fiscal Year 2022-23.

TABLE 3
ANNUAL ELECTRICITY SUPPLY[(1)]
FISCAL YEAR 2022-23

Resources	***mWh***	***Percentage***
Renewable Resources	1,010,800	45.4%
Firm Contracts and Market Purchases	551,700	24.7
IPP Generating Station	460,400	20.6
Springs, RERC and Clearwater	92,600	4.1
PVNGS	101,500	4.5
Hoover Power Plant	22,900	1.0
Total	2,239,300	100.0%

(1) Includes native load (the supply for end-use customers that the Electric System is obligated to serve), losses and wholesale power sales. Reflects preliminary results based on available information to date; subject to change.
Source: City.

During Fiscal Year 2022-23, the Electric System generated and purchased a total of 2,239,300 mWhs of electricity for delivery to customers throughout the City. The system peak for Fiscal Year 2022-23 of 647.8 megawatts ("**MWs**") was set on September 7, 2022. The following table sets forth, in mWh of electricity, the total purchases of power and Electric System peak demand during the periods shown.

TABLE 4
TOTAL ENERGY GENERATED AND PURCHASED AND PEAK DEMAND

	Fiscal Year Ended June 30,				
	2019	***2020***	***2021***	***2022***	***2023*** [3]
From City's Own Generation (mWh).....[2]	108,200	77,500	95,400	68,000	92,600
From Other Sources (mWh)	2,153,500	2,160,000	2,166,900	2,214,900	2,147,300
System Total (mWh)[1]	2,261,700	2,237,500	2,262,300	2,282,900	2,239,300
System Peak Demand (MW)	610.9	587.2	630.3	575.9	647.8
System Native Load (mWh)..................	2,150,000	2,114,000	2,122,000	2,144,000	2,161,000

(1) Before system losses. Excludes wholesale sales.
(2) Fluctuations in City generation reflect changes energy market prices and peak electricity needs, which can vary based on weather and other circumstances.
(3) Reflects preliminary results based on available information to date; subject to change.
Source: City.

City-Owned Generating Facilities

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

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

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

Clearwater. Clearwater consists of a single, General Electric LM 2500 combustion turbine generator operating in combined cycle with one RENTECH heat recovery steam generator and one SHIN NIPPON steam turbine generator. The gross plant output of Clearwater is 29.5 MW. The City acquired Clearwater from the City of Corona, California, effective September 1, 2010. Clearwater has been included in the City's resource portfolio and the necessary air quality permits to operate Clearwater up to a baseload configuration are in place. Clearwater is also utilized by the City to meet the local resource adequacy requirements of the CAISO. See the caption "—California Independent System Operator."

Decommissioning of SONGS. The City has a 1.79% undivided ownership interest in Units 2 and 3 of San Onofre Nuclear Generating Station ("**SONGS**"); however, on June 7, 2013, Southern California Edison Company ("**SCE**"), as principal owner and operating agent, announced its plan to retire Units 2 and 3 of

SONGS permanently, triggering the start of decommissioning. Consequently, SONGS is no longer a power resource for the Electric System. The process of decommissioning the nuclear power plant is expected to take many years and is governed by Nuclear Regulatory Commission (the "**NRC**") regulations. According to the 2020 Decommissioning Cost Estimate provided by SCE, the total decommissioning costs for Units 2 and 3 are estimated at $5.2 billion in 2020 dollars, of which the Electric System's share is approximately $93.8 million. The Electric System has established trust accounts and a designated decommissioning reserve to accumulate resources for the decommissioning process. As of June 30, 2023, the Electric System has paid $45.9 million for its share of the decommissioning costs from the trust accounts. The remaining estimated costs of $47.9 million are expected to be fully covered by the trust accounts and the designated decommissioning reserve, which as of June 30, 2023, had values of $47.1 million and $8.6 million, respectively. Because of the uncertainty of future unknown costs, the Electric System will continue to set aside moneys in the designated decommissioning reserve in the amount of $2 million per year (as increased beginning in Fiscal Year 2020-21). The $2 million amount has been approved by the Board and City Council and will be set aside each year unless adjusted by the Board and City Council in the future.

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

Entitlements

IPP Generating Station. The City has a 7.617% (approximately 137.1 MW) entitlement in the coal-fired IPP Generating Station Units 1 and 2 located near Lynndyl, Utah, which were declared to be commercially operational in June 1986 and May 1987, respectively. The City has entered into a power sales agreement with IPA, as the owner of IPP, which obligates the City to purchase its share of capacity and energy of IPP on a take-or-pay basis (the "**IPP Contract**"). The IPP Contract expires in 2027. See the caption "—Joint Powers Agency Obligations." After 2027, the City expects to replace most of the power that is currently supplied through the IPP Contract with energy from new renewable resources, concurrent with its efforts to reach a 60% renewable portfolio standard by or before 2030. See the captions "—Electric System Strategic Plan—Power Resource Portfolio Management" and "FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—State Legislation Affecting the Power Supply."

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

There are 35 utilities that purchase the output of IPP, consisting of the City, and the California cities of Los Angeles, Anaheim, Burbank, Glendale and Pasadena, 23 members of IPA and six rural electric cooperatives serving loads in the States of Utah, Arizona, Colorado, Nevada and Wyoming. IPP is operated by the City of Los Angeles, through its Department of Water and Power ("**LADWP**").

The IPP Generating Station's annual coal requirement is approximately 3.6 million tons. LADWP, in its role as the operating agent of IPP, buys coal under contracts to fulfill this supply requirement of IPP. Coal is purchased under a portfolio of fixed price contracts that are of short- and long-term duration. Currently, the IPP Generating Station is running at approximately at a 45% capacity factor level due to challenges in obtaining additional short-term coal supply contracts. However, LADWP has sufficient long-term coal under contract to maintain this capacity factor through early 2025, when the coal units are expected to be retired. IPA attempts to maintain a coal stockpile at IPP that is sufficient to operate the plant at current plant capacity factors for about 60 days in the event of a disruption in coal supply.

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

Under Senate Bill 1368, the City is precluded from renewing the IPP Contract at the end of its term in June 2027. See the captions "FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—State Legislation Affecting the Power Supply—Senate Bill 1368 – Emission Performance Standard" and "—Electric System Strategic Plan—Power Resource Portfolio Management." However, certain other parties could continue their participation.

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

Under provisions of the Renewal Power Sales Contract, certain California participants, including the City, had the right to exit completely from the IPP Repower Project or any Alternative Repowering by providing a written notice of termination to IPA at least 90 days prior to November 1, 2019. On May 7, 2019, the City Council authorized: (i) termination of the Renewal Power Sales Contract between IPA and the Electric System effective November 1, 2019; and (ii) the Electric System's exit from the IPP Repower Project upon the expiration date of the current Power Sales Contract on June 15, 2027.

Hoover Power Plant. The Hoover Power Plant is located on the Arizona-Nevada border approximately 25 miles east of Las Vegas, Nevada, and is owned and operated by the U.S. Department of the Interior's Bureau of Reclamation (the "**Bureau**"). The power from the project is marketed by the Western Area Power Administration ("**Western**"). The City has executed agreements with the Bureau and Western which became effective on October 1, 2017 and expire on September 30, 2067. The City's entitlement is approximately 30 MW (1.461% of the total project); however, due to low lake levels resulting from prolonged drought conditions, the City's available capacity entitlement has been reduced to approximately 20 MW as of June 30, 2023.

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

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

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

The co-owners of PVNGS have created external accounts for the decommissioning of PVNGS at the end of its life. SCPPA's records indicate that the aggregate balance of the external accounts for decommissioning was $180,545,458 as of June 30, 2023. Based on the most recent estimate of decommissioning costs prepared by TLG Engineering in 2019, SCPPA has advised the City that it estimates that the City's share of the amount required for decommissioning of was 85% funded as of December 31, 2022, which exceeds the 82% committed funding level. An updated estimate of decommissioning costs is currently underway and is expected to be finalized by the end of calendar year 2023, at which time the required funding level will be updated. No assurance can be given, however, that the required funding level will be sufficient to fully fund SCPPA's share of decommissioning costs at license expiration and commencement of decommissioning activities.

APS currently stores spent nuclear fuel in on-site pools near the generating units. The pools have reached capacity, and additional on-site spent fuel storage has been used until a permanent repository for high-level nuclear waste developed by the federal government becomes available. The additional onsite spent fuel storage has been provided by an independent spent fuel storage installation. The installation uses dry cask storage similar to that being used at other nuclear plants, such as SONGS, and is designed to accept all spent fuel generated by PVNGS during its lifetime.

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

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

Renewable Resources

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

For a discussion of State law relating to renewable portfolio standards, the adoption of a plan by the City with respect to such standards and the City's compliance with its plan, see the caption "FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—State Legislation Affecting the Power Supply."

TABLE 5
LONG-TERM RENEWABLE PPAS AND PSAS IN OPERATION

Supplier	*Type*	*Maximum Contract Amount*[(1)]	*Contract Expiration*
CalEnergy – Salton Sea Portfolio	Geothermal	86.0 MW	12/31/2039
Atlantica – Coso Geothermal	Geothermal	30.0 MW	12/31/2041
Wintec	Wind	1.3 MW	02/19/2024
WKN Wagner	Wind	6.0 MW	12/22/2032
Terraform Power – AP North Lake	Photovoltaic	20.0 MW	08/11/2040
Onward Energy – Columbia II	Photovoltaic	11.1 MW	12/22/2034
GlidePath Power Solutions – GPS Cabazon Wind LLC	Wind	39.0 MW	01/01/2025
Capital Dynamics – Kingbird Solar B, LLC	Photovoltaic	14.0 MW	12/31/2036
AES			
Summer Solar	Photovoltaic	10.0 MW	12/31/2041
Antelope Big Sky Ranch	Photovoltaic	10.0 MW	12/31/2041
Antelope DSR 1 Solar	Photovoltaic	25.0 MW	12/19/2036
Arevon – Tequesquite Landfill Solar	Photovoltaic	7.3 MW	12/31/2040
Roseburg Forest Products	Biomass	N/A[(2)]	02/16/2026
Total		259.7 MW	

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

(2) This supply is only available to satisfy SB 859 requirements. See the caption "FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRICT—State Legislation Affecting the Power Supply—Senate Bill 859 – "Budget Trailer Bill" – Biomass Mandate."

Source: City.

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

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

Concurrently, the pricing under the Salton Sea PPA was amended to conform to the pricing under the CalEnergy PPA through the remaining term of the Salton Sea PPA. The pricing under the Salton Sea PPA increased by approximately $7.57 per mWh, commencing July 1, 2013, to $69.66 per mWh, with an escalation of 1.5% annually thereafter, reflecting the exchange of benefits for substantially lower pricing under the new PPA. The cost increase under the Salton Sea PPA and accrual of the prepayment ended as of May 31, 2020. As of June 30, 2022, RPU's prepayment of future contractual obligations totaled $12,970,000. This prepayment was recorded on the City's Statements of Net Position as unamortized purchased power, to be amortized over the term of the CalEnergy PPA. As of June 30, 2022, RPU had recorded $645,000 in amortization related to the unamortized purchased power.

Atlantica – Coso Geothermal. On January 15, 2021, the City entered into a 20-year PSA with SCPPA for 10 MW (for the first 5 years of the contract) and 30 MW (for the remaining 15 years of the contract) of geothermal energy generated by Atlantica's Coso Geothermal project. The City has partnered with the cities of Banning and Pasadena to share SCPPA's contracted capacity in this project. The project began delivering power on January 1, 2022. The City's share of Coso Geothermal is expected to provide 87,500 mWh annually in the first 5 years of the term and 268,300 mWh for the remainder of the term at an all-in price for energy, capacity, resource adequacy and environmental attributes of $69.00 per mWh over the term of the PSA.

Wintec. On January 28, 2003, the City entered into a 15-year renewable PPA with Wintec Energy, Ltd. ("**Wintec**") to purchase all of the energy output generated by Wintec's wind-powered electric generating units with capacity up to 5 MW. Due to unforeseen circumstances, Wintec was only able to generate capacity totaling 1.3 MW. On November 15, 2005, the City Council approved an amendment to the original agreement, reducing the capacity to 1.3 MW. The amended contract with Wintec terminated in December 2018. However, on February 12, 2019, the City Council approved an extension to the amended agreement for an additional five years at a reduced price of $ 35.77 per mWh. RPU has not yet decided whether to seek a further extension of the Wintec PPA after its scheduled expiration in early 2024.

WKN Wagner. On December 20, 2012, the City entered into a 20-year PPA with WKN Wagner, LLC ("**WKN**") for up to 6 MW of capacity and approximately 21,000 mWh of associated renewable wind energy per year and renewable energy credits from the WKN Wagner wind project in Palm Springs, California at a levelized cost of $76.35 per mWh.

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

Onward Energy – Columbia II. On September 19, 2013, the City entered into two 20-year power sale agreements (each, a "**PSA**") with SCPPA for a combined 26 MW of solar photovoltaic energy generated by two facilities to be built by Recurrent Energy in Kern County, California. The two projects which were initially intended to be developed are referred to as the Clearwater and Columbia II Solar Photovoltaic Projects, with a nameplate capacity of 20 MW and 15 MW, respectively. Unanticipated permitting challenges for Clearwater stalled and eventually terminated construction plans for the facility in 2014. As a result, the City received liquidated damages in the amount of $1.3 million from the Clearwater project in Fiscal Year 2015-16. The liquidated damages were reported as other non-operating revenues on the City's Statement of Revenues, Expenses and Changes in Net Position. On March 14, 2014, a Consent and Agreement was entered into by SCPPA consenting to the transfer of ownership of the Columbia II project from Recurrent Energy to Onward Energy. The Columbia II project achieved commercial operation in December 2014. The City has a 74.29% share (11.1 MW) of the output from the Columbia II project through SCPPA, which has a 15 MW PPA with Onward Energy. The City's share of Columbia II is approximately 33,000 mWh of renewable energy per year with an all-in price for energy, capacity and environmental attributes of $69.98 per mWh over the term of the agreements.

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

2018, after it was acquired by GlidePath Power Solutions, FPL Energy Cabazon Wind, LLC changed its name to GPS Cabazon Wind, LLC.

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

AES – Summer Solar, Antelope Big Sky Ranch and DSR 1 Solar. On January 17, 2013, the City entered into two 25-year PSAs with SCPPA for a combined total of 20 MW of solar photovoltaic energy generated by two facilities to be built in the City of Lancaster by Silverado Power, which later changed its name to sPower after a series of ownership changes. The two projects are referred to as Antelope Big Sky Ranch and Summer Solar, and each is rated at 20 MW. The City has a 50% share of the output from each project through SCPPA, which has two 20 MW PPAs for the projects. Summer Solar became commercially operational on July 25, 2016 and Antelope Big Sky Ranch became commercially operational on August 19, 2016. The City's share from the two projects totals 55,000 mWh of renewable energy per year. The price under the agreements is $71.25 per mWh over the term of the agreements. In 2021, sPower merged with the AES Corporation, resulting in AES becoming the new parent company.

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

Arevon – Tequesquite Landfill Solar. On March 11, 2014, the City and Solar Star California XXXI, LLC ("**Solar Star**") entered into a 25-year PPA for 7.3 MW of solar photovoltaic energy generated by a facility to be built on the City-owned Tequesquite Landfill. The project was fully commissioned and operational on September 30, 2015 and is expected to generate approximately 15,000 mWh of renewable energy per year. The all-in price for energy, capacity and environmental attributes was initially $81.30 per mWh, escalating at 1.5% annually. In 2018, Capital Dynamics became the new parent company of Solar Star after acquiring it from SunPower. In 2022, Capital Dynamics was acquired by Arevon.

Roseburg Forest Products. On February 16, 2021, the City entered into a 5-year SB 859 Purchase Agreement with Roseburg Forest Products Co. See the caption "FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRICT—State Legislation Affecting the Power Supply—Senate Bill 859 – "Budget Trailer Bill" – Biomass Mandate" for a discussion of SB 859. The City has a 4.48% share of the output of the project, which has a total capacity of 13.4 MW. The project became commercially operational on February 16, 2021. The price for the SB 859 compliant capacity is $46.00 per mWh over the term of the agreement.

SunZia Wind PowerCo. In addition the agreements that are described in Table 5 with respect to projects that are currently in operation, on November 7, 2023, the City Council approved the City's entry into a Power Purchase and Sale Agreement with SunZia Wind PowerCo, LLC (the "**SunZia Agreement**"). Under the SunZia Agreement, the City will be entitled to up to 125 MW of wind-generated power from a project in New Mexico that is expected to be constructed between 2024 and 2026, with commercial operation expected to commence in late 2026 or early 2027. The project is expected to generate approximately 390,000 mWh per year over the 15-year term of the SunZia Agreement at a price of $59.50 per mWh. There can be no assurance that the project will be constructed or commence operations on the timeline that is currently contemplated.

Firm Contracts and Market Purchases

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

In Fiscal Years 2021-22 and 2022-23, the City purchased 447,400 mWh and 538,100 mWh, respectively, of firm energy (approximately 19.6% and 24.2%, respectively, of its total energy supply) through short-term contracts. These purchases were from WSPP counterparties, with energy ultimately being served through the CAISO Integrated Forward Market. The cost of obtaining the necessary energy depends upon contract requirements and the current market price for energy. Spot market prices are dependent upon such factors as natural gas prices, the availability of generating resources in the region, fuel type and weather conditions such as ambient temperatures and the amount of rainfall or snowfall. Generating unit outages, dry weather, hot or cold temperatures, time of year, transmission constraints and other factors can all affect the supply and price of energy. See the caption "FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY."

Wholesale Power Trading Policies and Risk Management

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

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

California Independent System Operator

The City serves as its own Scheduling Coordinator with the CAISO and serves as the scheduling agent, under separate Utility Service Agreements, for the Cities of Banning and Rancho Cucamonga. In addition, the City serves as the scheduling agent for SCPPA's Columbia II Solar, Kingbird B Solar, Summer Solar and Antelope DSR 1 Solar projects under various Scheduling Coordinator Agreements. Services under the referenced agreements include day-ahead and real time scheduling of power from various sources, after-the-fact validation and settlement of transactions and billing and payments.

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

Certain of the City's CAISO-Transferred Entitlements relate to transmission facilities, including the STS (which is described under captions "—Entitlements—IPP Generating Station" above and "—Transmission and Distribution Facilities—Southern Transmission System" below), which were financed by

SCPPA utilizing tax-exempt bonds. The City executed certain transmission service contracts with SCPPA that prohibit the City from taking any action that would adversely affect the tax-exempt status of the SCPPA bonds. If the City were to be found to have breached such contractual obligation, the City could be subjected to significant financial liability. The TCA executed by the City and submitted by the CAISO on November 19, 2002 for approval by FERC contained certain withdrawal provisions that the City believes will protect the tax-exempt status of the SCPPA bonds and satisfy the City's contractual obligation to SCPPA under its transmission service contracts. To date, SCPPA has received no notices affecting the tax-exempt status of SCPPA bonds issued for projects in which the City is a participant.

On January 1, 2003, the City became a PTO with the CAISO, entitling the City to receive compensation for the use of its transmission entitlements committed to the CAISO's operational control. The amount of compensation to which the City is entitled is based upon the City's TRR as approved by FERC. Included in the City's TRR are all costs associated with the City's participation in SCPPA's transmission projects (as described under the caption "—Transmission and Distribution Facilities"). The City obtains all of its transmission entitlements from the CAISO.

Since becoming a PTO with the CAISO, the City has filed three TRRs with FERC. The City's base TRR is adjusted annually for (among other things) automatic pass-throughs of certain costs approved by FERC. For Fiscal Year 2022-23, the City collected $35.2 million in TRR revenue.

Transmission and Distribution Facilities

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

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

The STS consists of the following: (a) the AC/DC Intermountain Converter Station adjacent to the IPP Generating Station's AC switchyard in Utah; (b) the ±500 kV DC bi-pole transmission line (the "**HVDC transmission line**"), which is 488 miles in length, from the Intermountain Converter Station to the City of Adelanto, California; (c) the AC/DC Adelanto Converter Station, where the STS connects to the switching and transmission facilities of LADWP; and (d) related microwave communication system facilities. The HVDC transmission line is capable of transmitting an amount of power that exceeds the aggregate output of the IPP Generating Station to be delivered to the SCPPA participants. The AC/DC converter stations each consist of two solid state converter valve groups and have a combined rating of 2,400 MW (upgraded from 1,920 MW in 2010, increasing the City's total entitlement in the STS from 195 MW to 244 MW). The microwave communication facilities are used for IPP Generating Station dispatch, communication and control and protection of the STS. The microwave facilities are located along two routes between the IPP Generating Station and the Adelanto Switching Station, forming a looped network.

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

Mead-Phoenix Transmission Project. Originally in connection with its entitlement to PVNGS power, the City acquired a 4.0% (12 MW) entitlement in SCPPA's member-related ownership share of the

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

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

Mead-Adelanto Transmission Project. In connection with Mead-Phoenix, the City has acquired a 13.5% (118 MW) entitlement to SCPPA's member-related ownership share of the Mead-Adelanto Transmission Project ("**Mead-Adelanto**"), which is separate from the SCPPA interest acquired on behalf of Western and the SCPPA interest later acquired on behalf of LADWP only. Mead-Adelanto consists of a 202-mile, 500-kV AC transmission line that extends between a southwest terminus at the existing Adelanto Substation in southern California and a northeast terminus at Marketplace Substation. By connecting to Marketplace Substation, the line interconnects with Mead-Phoenix and the existing McCullough Substation in southern Nevada. The line has a transfer capability of 1,291 MW. SCPPA has executed an ownership agreement providing it with a total of a 67.9167% member-related ownership share in the project. The other owner of the line is Startrans. The City has entered into a transmission service contract with SCPPA that obligates the City to pay as an Operating and Maintenance Expense its share of debt service on bonds issued by SCPPA in connection with Mead-Adelanto on a take-or-pay basis, as well as capital costs and costs related to operation and maintenance. See the caption "—Joint Powers Agency Obligations." The project entered commercial operation on May 15, 1996, which coincided with the commencement of operations by Mead-Phoenix.

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

As of June 30, 2023, the City had 99.2 circuit miles of sub-transmission and 1,355 circuit miles of distribution lines, of which approximately 842 circuit miles are underground. There are 14 substations, with a combined capacity of 1,465 million volt-amperes ("MVA"). The City is currently undertaking the Riverside Transmission Reliability Project ("**RTRP**"), a joint City-SCE project which includes the construction of a 230-69 kV transmission substation. RTRP will provide a second point of interconnection to the California transmission grid and the addition of new 69 kV transmission lines to transmit power from the new substation and distribute energy to the City's local distribution substations. The costs of RTRP to date have been partially financed by Prior Parity Bonds issued in 2008 and 2010 and the City may elect to issue a series of Additional Bonds (the "**RTRP Bonds**") in or about 2025 to finance RTRP construction costs. The principal amount of the RTRP Bonds will be determined by a number of factors, including whether the City and SCE elect to underground elements of RTRP. If issued, the RTRP Bonds will constitute Additional Bonds payable from Net Operating Revenues on a parity with the 2023A Bonds. In addition, on December 4, 2007, the City added a reliability charge to its electric rates to assist with funding the City's portion of the costs of RTRP.

The California Public Utilities Commission (the "**CPUC**") issued a final Subsequent Environmental Impact Report (the "**SEIR**") on October 2, 2018, marking the completion of the CPUC's California Environmental Quality Act review process. Construction of RTRP is expected to commence in early 2024.

Capital Improvement Program

As part of its budget and planning process, the City prepared a five-year Electric System Capital Improvement Program (the "**CIP**") for Fiscal Years 2023-24 through 2027-28 totaling approximately $315.5 million, subject to adjustment as project cost estimates change:

FIVE-YEAR CIP[(1)]
FISCAL YEARS 2023-24 – 2027-28
(Dollars in Millions)

Category	***Cost***
Overhead	$ 48.9
Underground	75.1
Substation	69.7
Recurring/Obligation to Serve	83.2
System Automation	38.6
Total	**$315.5**

(1) Excludes RTRP construction costs. See the caption "—Transmission and Distribution Facilities—Sub-Transmission and Distribution."
Source: City.

The five-year CIP is supported by the Electric System's rate plan (as described under the caption "—Electric Rates and Charges") and addresses the need to replace and modernize the most vital portions of the City's aging electric infrastructure. Overhead and underground projects include the rehabilitation and replacement of overhead equipment, such as poles, wires, transformers and streetlights, and underground equipment, such as conduits and cables, in order to improve the safety, efficiency and reliability of the electric system. Substation projects include improvements to neighborhood power stations to efficiently distribute power throughout the service area. Recurring projects relate to the Electric System's obligation to serve new incoming load. System automation projects include projects for technology, security and system automation tools and applications to improve cyber security and overall efficiency. The five-year CIP is expected to be funded from proceeds of the 2024A Bonds and Additional Bonds to be issued in or about 2026 (the "**2026A Bonds**"), which are currently anticipated to be issued in the aggregate principal amount of $170,000,000, with the balance to be funded by a combination of rates, reserves and other resources. The 2026A Bonds have not yet been approved by the City Council and there can be no assurance that they will be issued at the time or in the amount that is currently contemplated.

See also the caption "—Transmission and Distribution Facilities—Sub-Transmission and Distribution" for a discussion of the expected issuance of the RTRP Bonds to finance construction of RTRP. RTRP costs are *not* reflected in the five-year CIP table above.

Customers and Energy Sales

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

TABLE 6
NUMBER OF METERS

	Fiscal Year Ended June 30,				
	2019	***2020***	***2021***	***2022***	***2023***
Domestic	98,322	98,930	99,226	99,731	100,054
Commercial	11,537	11,598	11,817	11,922	12,026
Industrial	570	581	616	625	622
Other	51	52	52	50	49
Total – all classes	110,480	111,161	111,711	112,328	112,751

Source: City.

TABLE 7
ENERGY SOLD
(Millions of kWh)

	Fiscal Year Ended June 30,				
	2019	***2020***	***2021***	***2022***	***2023***
Domestic	722	723	783	759	786
Commercial	460	442	430	443	440
Industrial	947	931	891	923	920
Other	21	18	18	19	15
Wholesale Sales	-	1	-	2	14
Total kWh Sold[1]	2,150	2,115	2,122	2,146	2,175

(1) The difference between the total kWh generated and purchased and the total kWh sold is due to transmission and/or distribution system losses.
Source: City.

Customer Concentration

The following table lists the Electric System's top 10 customers for Fiscal Year 2022-23 by dollar amounts charged.

TABLE 8
TOP 10 ELECTRIC SYSTEM CUSTOMERS
FISCAL YEAR 2022-23[1]
(Dollars in Thousands)

Electric System Customer	***Electric Charges***[2]	***Percent of Electric System Retail Revenues***[2]
Local University	$13,262	3.8%
Local Government	8,255	2.4
Local Government	7,315	2.1
School District	5,119	1.5
Corporation	4,538	1.3
Corporation	3,800	1.1
Corporation	3,640	1.1
Hospital	3,389	1.0
Corporation	3,138	0.9
Local University	3,085	0.9
Total	$55,540	16.0%

(1) Figures above do not include public benefit surcharge of 2.85% pursuant to AB 1890.
(2) Based on unaudited actual figures.
Source: City.

The City has a strong and diverse customer base with minimal exposure to customer concentration. Many of the Electric System's industrial customers have loads under 500 kW. As shown above, the top ten customers of the Electric System collectively accounted for approximately 16.0% of the Electric System's retail revenues of $347.5 million in Fiscal Year 2022-23, based on unaudited actual figures.

Electric Rates and Charges

The City is obligated by its City Charter and by the resolutions under which it has issued its Electric System Revenue Bonds to establish rates and collect charges in an amount that is sufficient to meet the Electric System's Operating and Maintenance Expenses and debt service requirements, with specified requirements as to priority and coverage. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2023A BONDS—Rate Covenant." Electric rates are established by the Board and approved by the City Council. Electric rates are not subject to the general regulatory jurisdiction of the CPUC or any other state agency. The California Public Utilities Code contains certain provisions affecting all municipal utilities such as the Electric System, including provisions for a public benefits charge under Assembly Bill 1890 ("**AB 1890**"). At this time, none of the CPUC, any regulatory authority of the State or FERC approves the City's retail electric rates, although FERC does approve the City's TRR included in the Transmission Access Charge collected from users of the CAISO transmission grid.

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

In January 1998, the City began collecting a surcharge for public benefit programs on customer utility bills. This surcharge was mandated by State legislation (i.e., AB 1890 and subsequent legislation) and is restricted to various socially beneficial programs and services.

As of January 1, 2023, the Electric System has 18 rate schedules in effect. The City provides no free electric service.

A rate proposal was provided to the Board on June 12, 2023 and to the City Council on June 27, 2023, after the completion of a rate study dated June 9, 2023 by an independent third party consultant (the "**Rate Study**"). In July and August 2023, staff conducted a comprehensive community outreach effort to present and obtain feedback on the rate plan proposal. Outreach efforts included various community meetings hosted by the City as well as the City's attendance at multiple neighborhood and business group meetings. After holding the required public hearing on August 28, 2023, the Board adopted and recommended that the City Council approve a five-year electric rate plan (the "**2023 Rate Plan**") based on the Rate Study.

On September 19, 2023, the City Council adopted the 2023 Rate Plan, which includes rate increases that are scheduled to become effective on January 1, 2024, and each January 1 thereafter through January 1, 2028, inclusive. The system average rate increase that is scheduled to become effective January 1, 2024 is 7.0%, followed by system average rate increases of 7.0%, 7.0%, 2.0%, and 2.0%, scheduled to become effective on January 1, 2025, 2026, 2027, and 2028, respectively. Actual increases for individual customers will vary by customer class and usage level.

Historically, electric rates for the City's customers have been lower than rates for SCE customers. Based on the City's rates effective June 1, 2023, the City's single family residential customers with annual monthly average consumption of 600 kWh would pay an average of 88% higher rates if served by SCE (based on average SCE rates). The City cannot predict future rate actions with respect to SCE or other utilities.

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

TABLE 9
AVERAGE BILLING PRICE (CENTS) PER KILOWATT-HOUR[(1)]
(RETAIL SALES)

	Fiscal Year Ended June 30,				
	2019	***2020***	***2021***	***2022***	***2023***
Residential	16.11	16.80	17.00	17.70	17.88
Commercial	16.09	16.60	17.00	17.10	17.53
Industrial	11.72	12.10	12.60	13.30	13.54
Other	23.45	26.50	26.70	26.50	35.78
System Averages	14.19	14.70	15.20	15.80	16.08

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

Billings and Collections

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

Bills are due and payable on presentation, and become delinquent after 21 days. Although the City is not subject to the jurisdiction of the CPUC or other agencies, collection activities for the City substantially conform to the requirements of California Public Utilities Code Section 10010 and California Health and Safety Code Section 116908. Accounts that have not paid their bills by the delinquency date receive an urgent notice providing an additional 10 days to pay. If no payment is received, a notice is delivered by Utility Field Service staff 10 days prior to proposed discontinuance of service, and the customer is charged a $21.50 notification fee. If payment is not received after 60 days, metered service (water and/or electric) may be turned off approximately 1 to 5 working days later. Before service is reinstated, the customer must pay the delinquent amount and a reconnection fee ranging between $43.00 and $80.50, and may be required to pay a customer deposit.

RPU manages delinquencies of amounts billed for the City's Electric System and water, sewer and refuse utilities. Delinquencies from inactive accounts are turned over to a collection agency 90 days after account closure/no activity.

See the caption "RISK FACTORS—COVID-19 Outbreak" for a discussion of the suspension of certain aspects of the City's collection policies and resultant write-offs in the wake of the COVID-19 outbreak.

Uncollectible Accounts

Based on the average annual amount of billable revenues reflected in the table below (approximately $323 million), the City experienced an annual average of approximately 0.28%, or approximately $890,000, of uncollectible accounts for the past five years, including the period covered by the COVID-19 pandemic. Notwithstanding the foregoing, the State provided financial assistance to Electric System customers through a programs, known as CAPP, under which the City received a total of $11.1 million to cover delinquent Electric System balances. See the caption "RISK FACTORS—COVID-19 Outbreak" for a detailed discussion of CAPP. The City believes that its management of its collection activities is effective, as reflected by write-offs below the industry average. The following table shows the historical results of the Electric System's accounts receivable and collection efforts.

TABLE 10
HISTORY OF BILLINGS AND COLLECTIONS
AS OF JUNE 30,
(Dollars in Thousands)

Fiscal Year	*Billings*	*Payments*[1]	*Write-Off as % of Billing*[2]	*Write-Off*	*Ending Accounts Receivable Balance*[3]
2019	$302,733	$303,428	0.160%	$ 483	$28,039
2020[4]	310,054	303,556	0.336	1,043	33,493
2021[4]	318,707	307,425	0.150	478	44,297
2022[4]	336,405	332,447	0.706	2,374	45,881
2023	347,014	358,886[5]	0.021	72	33,936

(1) Amounts shown in this column do not reflect the receipt of moneys from the State under the CAPP electric utility financial assistance programs. See the caption “RISK FACTORS—COVID-19 Outbreak.”

(2) Represents the amount shown under the column entitled “Write-Off” divided by amount shown under the column entitled “Billings” for the corresponding year.

(3) The ending accounts receivable balance of any Fiscal Year is equal to the ending balance of the previous Fiscal Year plus billings minus payments minus write-offs.

(4) See the caption “RISK FACTORS—COVID-19 Outbreak” for a discussion of the suspension of certain aspects of the City’s collection policies in the wake of the COVID-19 outbreak.

(5) Payments exceed billings because of the reduction in accounts receivable as the City recommenced service disconnections for non-payment.

Source: City.

Transfers to the General Fund of the City

Effective December 1, 1977, transfers to the General Fund of the City of surplus funds of the Electric System (after payment of Operating and Maintenance Expenses and debt service on Bonds) are limited by Article XII of the City Charter, as approved by the voters and adopted by the City Council on November 15, 1977. Such transfers are limited to 12 equal monthly installments during each Fiscal Year constituting a total amount not to exceed 11.5% of the Gross Operating Revenues, exclusive of any surcharges, for the last Fiscal Year ended and reported by an independent public auditor. The General Fund transfer is funded through the existing rate plan, thus requiring no additional rate adjustments.

The transfers to the General Fund of the City for Fiscal Years 2021-22 and 2022-23 were $39.4 million and $42.3 million, respectively (approximately 11.5% and 11.5%, respectively, of the applicable prior Fiscal Year’s Gross Operating Revenues). The estimated transfer to the General Fund of the City for Fiscal Year 2023-24 is $44.6 million (approximately 11.5% of the Fiscal Year 2022-23’s anticipated Gross Operating Revenues).

See the caption “—Litigation” for a description of a recent court ruling holding that the General Fund transfer from the Electric System is not a cost of providing the service of the Electric System and violates Article XIIIC of the State Constitution. See the caption “CONSTITUTIONAL LIMITATIONS—Articles XIIIC and XIIID of the State Constitution.” In response to the ruling, the City Council placed a ballot measure, known as Measure C, on the November 2, 2021 ballot, seeking the approval of City voters to continue transfers of surplus Electric System revenues to the General Fund. Measure C was approved by City voters and the City intends to continue to transfer Electric System revenues to the General Fund.

See also “CONSTITUTIONAL LIMITATIONS—Proposition 26” for a discussion of requirements imposed on local government taxes pursuant to Proposition 26.

Unrestricted Cash Reserves

On March 22, 2016, the City Council adopted the Riverside Public Utilities Cash Reserve Policy, which provided a defined level of unrestricted, undesignated and designated cash reserves in the Electric System for strategic purposes. On September 7, 2021, the Cash Reserve Policy was updated and approved by City Council to reflect updates to the designated decommissioning reserve for SONGS (as discussed under the caption "—City-Owned Generating Facilities—Decommissioning of SONGS"), minimum and maximum funding levels for undesignated reserve and other minor revisions. This policy sets target minimum and maximum levels for the undesignated reserve to mitigate risk in the following categories: operations and maintenance, rate stabilization, capital expenditures and debt service. The undesignated reserve can be used for any lawful purpose and has not been designated for specific capital and operating purposes.

On February 1, 2022, the City entered into the $35,000,000 Revolving Credit Facility, which provides additional flexibility and operating liquidity for the Electric System. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2023A BONDS—Subordinate Obligations—Existing Subordinate Obligations—Revolving Credit Facility" for additional information on the Revolving Credit Facility.

As of June 30, 2023, the undesignated Electric System reserve balance was $137.9 million, which, combined with the amount available under the Revolving Credit Facility, was within the minimum and maximum guidelines as set forth in the policy.

Designated reserves are considered unrestricted assets and represent the portion of unrestricted reserves set aside for specific purposes determined by the Board and City Council. Designated reserves may be held for capital or operating purposes. Based on unaudited actual figures, the designated cash reserve balances as of June 30, 2023, are as follows (in thousands of dollars):

Additional Decommissioning Liability Reserve	$ 8,644
Customer Deposits	4,948
Capital Repair and Replacement Reserve	2,287
Electric Reliability Reserve	87,127
Mission Square Improvement Reserve	2,113
Dark Fiber Reserve	4,801
Total(1)	$109,920

(1) Reflects preliminary unaudited actual figures; subject to change. The final figures will be included as a component of unrestricted cash and cash equivalents in the Statements of Net Position in the Electric System's audited financial statements for Fiscal Year 2022-23.

Source: City.

Joint Powers Agency Obligations

As previously discussed, the City participates in certain contracts with IPA and SCPPA. Obligations of the City under the agreements with IPA and SCPPA constitute Operating and Maintenance Expenses of the Electric System which are payable prior to any of the payments required to be made on the Bonds and any Parity Debt. Agreements between the City and IPA and the City and SCPPA are on a "take-or-pay" basis, which requires payments to be made whether or not applicable projects are completed or operable, or whether output from such projects is suspended, interrupted or terminated. All of these agreements contain "step-up" provisions obligating the City to pay a share of the obligations of a defaulting participant. Any "step-up" obligation relating to the City's participation in transmission projects that it would be responsible for would be included in the City's TRR (which would require filing a new TRR with FERC) and would be recovered from all CAISO grid users. The City's participation and share of principal obligation (without giving effect to any "step-up" provisions) for each of the joint powers agency projects in which it participates are shown in the following table. As of June 30, 2023, the City's total debt obligations with respect to joint powers agency bonds were approximately $34.4 million. In certain cases, the City could become responsible for a greater share of debt service on joint powers agency bonds if other participants were to default on their respective obligations with respect to such bonds.

TABLE 11
OUTSTANDING DEBT OF JOINT POWERS AGENCIES
AS OF JUNE 30, 2023
(Dollars in Thousands)

Joint Powers Authority Obligation	***Amount of Outstanding Debt***	***City's Participation***[1]	***City's Share of Outstanding Debt***
Intermountain Power Agency			
Intermountain Power Project[2][3]	$187,527	7.617%	$14,283
Southern California Public Power Authority			
Southern Transmission System	198,252	10.164	20,150
Total	$385,779		$34,433

(1) Participation obligation is subject to increase upon default of another project participant.
(2) Includes bonds, commercial paper, subordinate notes and line of credit.
(3) The IPP Contract expires in 2027, after which time, the City will have no further obligations to pay IPA debt. See the caption "—Entitlements—IPP Generating Station."
Sources: IPA; City.

Insurance

The City's Risk Management Division manages the insurance needs of the City's Electric System. The City's Self-Insurance Trust Fund Reserve Policy requires that both the Liability and Worker's Compensation funds maintain cash on hand in the minimum amount equal to 50% of all outstanding claims. The fund balance amounts are based on annual actuarial studies on the City's automobile, general, and worker's compensation liability and internal claim data. The actuarial reports are issued by an outside firm.

The City carries multiple General Liability policies: a primary liability policy and three excess liability policies. The primary General Liability policy provides the City with $4,000,000 in total aggregate limits and the excess General Liability policies provide the City with $21,000,000 in coverage, for a total of $25,000,000 in combined General Liability coverage. Both the primary and excess General Liability policies cover general and automobile liability claims, including but not limited to Law Enforcement Liability and Public Officials Errors and Omissions coverage. The City also purchases an excess Workers Compensation policy with an aggregate limit of $25,000,000. Both the General Liability and Worker's Compensation programs have self-insured retentions of $3,000,000. A self-insured retention is the dollar amount that the City must pay before an insurance policy responds to a loss.

The City participates in two separate property insurance programs; the first is an "All Risk" property program that affords an aggregate limit of $1 billion for City-owned properties, and the second program provides $210 million in property and equipment breakdown coverage for RERC, Springs and Clearwater. The City also purchases a stand-alone Pollution policy for RERC, Springs and Clearwater. See the caption "—City-Owned Generating Facilities" for a discussion of RERC, Springs and Clearwater. The City's property deductibles range from between $100,000 to $250,000 depending on the peril at the time of loss. At the time of loss, valuation will be on a replacement cost basis with actual loss sustained for time element coverages and an actual cash value for all City-owned equipment.

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

Litigation

On September 12, 2018, a petition for writ of mandate entitled *Parada v. City of Riverside* (Parada II) was filed against the City seeking to invalidate, rescind and void under Proposition 26 the Electric System's rates approved by City Council on May 22, 2018, which took effect on January 1, 2019, challenging the portion of the electric rates that are attributable to the General Fund transfer. See the caption "—Electric Rates and Charges."

On October 9, 2020, the court ruled that the General Fund transfer from the Electric System is not a cost of providing the service of the Electric System and violates Article XIIIC of the State Constitution. See the caption "CONSTITUTIONAL LIMITATIONS—Articles XIIIC and XIIID of the State Constitution." Based on the court's order in the liability phase of the trial, the City estimated that approximately $19 million-$32 million of the General Fund transfer was potentially attributable to Electric System revenue that was not approved by the voters and could be subject to refund.

On May 17, 2021, the City and the plaintiffs entered into a settlement agreement that was conditioned on: (1) the City Council's placement of a ballot measure on in the November 2021 election to approve the General Fund transfer as a general tax (the "**Ballot Measure**"); and (2) voter approval of the Ballot Measure. The City Council placed the Ballot Measure on the ballot for the November 2, 2021 election. The parties agreed to stay the litigation until certification of the results of the Ballot Measure. If voters approved the Ballot Measure, the City agreed to refund to Electric System customers an amount equal to $24 million less the amount awarded to the plaintiffs' counsel in fees, paid over a five year period that was to begin no later than February 1, 2022. If voters did not approve the Ballot Measure, the litigation would then resume.

On or about September 16, 2021, prior to the November 2, 2021 election, a petition for writ of mandate entitled *Riversiders Against Increased Taxes v. City of Riverside, et al.* (the "**RAIT lawsuit**") was filed against the City challenging the Ballot Measure on the grounds that it could not be adopted at the November 2021 election because that election is a "special" election and, under Proposition 218, a ballot measure to impose a general tax can only be submitted to voters at a general election. On November 9, 2021, the court set a trial date for the RAIT lawsuit for January 7, 2022 and ordered a stay of the certification of the Ballot Measure election results pending the January 7, 2022 hearing. The court did not otherwise delay or cancel the election for the Ballot Measure, and the election was held on November 2, 2021, with Measure C approved by a majority of the voters.

On April 26, 2022 the RAIT lawsuit trial court determined that the November 2021 election was a "special election" rather than a "general election" and therefore did not comply with Proposition 218. The court further ruled that it lacked power to enjoin the certification of election results or to otherwise invalidate the election. Both sides have since appealed the April 26, 2022 ruling. The case has been fully briefed and the parties are awaiting a date for oral argument.

On May 12, 2022, the City and the plaintiffs in the Parada II lawsuit amended the May 17, 2021 conditional settlement agreement to reflect the following additional terms: (a) the City agreed to start making refunds to ratepayers by October 1, 2022; (b) if the City prevailed in the appeal of the trial court's decision in the RAIT lawsuit, no additional refunds would be due to the ratepayers; (c) if the City did not prevail in the appeal of the trial court's decision in the RAIT lawsuit, additional refunds would be implemented in the amount of $705,882 per month, from November 2021 until: (i) the City set new electric rates; (ii) voters approve a valid ballot measure relating to the General Fund transfer; or (iii) the City otherwise stops collecting the General Fund transfer from the Electric System. The Parada II lawsuit was dismissed on May 13, 2022. The RAIT lawsuit plaintiffs sought to intervene in the Parada II lawsuit and set aside this dismissal. However, on August 3, 2022, the Parada II trial court refused to set aside the dismissal.

The City Council adopted a resolution certifying the results of the Measure C election on July 19, 2022. The City has now begun to implement the settlement agreement with the Parada II plantiffs, including the May 12, 2022 additional terms, with full implementation to be undertaken upon the resolution of the appeals in the RAIT lawsuit as discussed in the previous paragraph.

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

Significant Accounting Policies

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

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

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

Summary of Operations

The following table prepared by the City shows the Net Operating Revenues of the Electric System and historical debt service coverage for the Prior Parity Bonds for the Fiscal Year shown, as calculated in accordance with the flow of funds in the Resolution. The information shown is based on the audited financial statements of the City's Electric System for such periods as well as preliminary unaudited results for Fiscal Year 2022-23, but excludes certain receipts which do not constitute Gross Operating Revenues and certain non-cash items and reflects certain other adjustments.

TABLE 12
SUMMARY OF OPERATIONS AND DEBT SERVICE COVERAGE
(Dollars in Thousands)

	Fiscal Year Ended June 30,				
	2019	***2020***	***2021***	***2022***	***2023***[(1)]
Operating Revenues[(2)]:					
Residential	$116,303	$121,162	$133,460	$134,403	$140,538
Commercial, Industrial and Other	188,780	189,552	188,947	203,474	206,953
Wholesale Sales	344	-	27	89	2,043[(3)]
Transmission Revenues	35,730	34,817	32,316	32,245	35,233
Other	13,121	13,960	12,099	18,758	24,403
Total Operating Revenues Before (Reserve)/Recovery	354,278	359,491	366,849	388,969	409,170
Reserve for Uncollectible, Net of (Reserve)/Recovery	(911)	(1,891)	(4,034)	681	(475)
Total Operating Revenues, Net of (Reserve)/Recovery	353,367	357,600	362,815	389,650	408,695
Interest Income/(Loss)[(4)]	7,951	9,439	4,794	4,461	7,874
Capital Contributions	3,496	4,875	3,456	5,445	4,951
Non-Operating Revenues	4,276	1,885	6,897	7,094	6,317
Total Revenues	$369,090	$373,799	$377,962	$406,650[(5)]	$427,837[(5)]
Operating and Maintenance Expenses[(6)(7)]:					
Nuclear Production[(8)]	$ 1,395	$ 1,642	$ 822	$ 914	$ 1,023
Production & Purchased Power[(9)]	153,868	155,898	163,086	175,682	194,891[(10)]
Transmission Expenses[(11)]	64,443	58,830	59,770	65,996	68,052
Distribution Expenses	19,639	17,665	21,735	18,270	21,225
Customer Account Expenses	7,542	6,832	6,829	6,845	7,871
Customer Service Expenses	998	713	1,638	1,727	2,182
Administration & General Expenses[(12)]	13,559	16,120	12,046	10,992[(13)]	18,986[(14)]
Clearing & Miscellaneous Expenses	18,316	19,362	18,367	17,794	18,559
Total Operating and Maintenance Expenses	$279,760	$277,062	$284,293	$298,220	$332,789
Net Operating Revenues Available for Debt Service and Depreciation	$ 89,330	$ 96,737	$ 93,669	$108,430	$95,048
Debt Service Requirements on Bonds[(15)]	$ 42,466	$ 38,633	$ 44,923	$ 46,028	$46,400
Debt Service Coverage Ratio	2.10x	2.50x	2.09x	2.36x	2.05x

(1) Reflects preliminary unaudited results; subject to change.

(2) Operating Revenues exclude restricted revenues generated from the public benefits charge under AB 1890. See the caption "—Electric Rates and Charges."

(3) Increase in Fiscal Year 2022-23 reflects a transmission constraint, requiring the power that the City was scheduled to receive to be resold.

(4) Differs from audited financial statements because the above numbers exclude unrealized losses (and gains), consisting of market value adjustments to Electric System investments in accordance with GASB Statement No. 31, of $(5,421), $(4,593), $4,298, $14,791 and $1,922 in fiscal years 2018-19 through 2022-23, respectively.

(5) Includes net revenue adjustment of $134 and $247 under GASB Statement No. 87 relating to leases for Fiscal Years 2021-22 and 2022-23, respectively. The City elected not to revise the beginning net position upon its adoption of GASB Statement No. 87 as of July 1, 2021.

(FOOTNOTES CONTINUED ON FOLLOWING PAGE)

(CONTINUED FROM PREVIOUS PAGE)

(6) Operating and Maintenance Expenses exclude expenses incurred under the related program.

(7) In accordance with the Resolution, the figures shown exclude contributions to City's General Fund of $39,886, $39,558, $39,899, $39,436 and $42,326 for Fiscal Years 2018-19 through 2022-23, respectively. These contributions do not constitute Operating and Maintenance Expenses and are subordinated to debt service on the Bonds. See the captions "—Transfers to the General Fund of the City" and "—Litigation." Also excludes depreciation and amortization.

(8) Nuclear Production reflects non-decommissioning expenses and changes to decommissioning liability related to SONGS. See the caption "—City-Owned Generating Facilities—Decommissioning of SONGS."

(9) Includes fuel expense for City-owned generating facilities and payments to IPA and SCPPA, other than payments relating to transmission projects with SCPPA (STS, Mead-Phoenix, and Mead-Adelanto). See the captions "—City-Owned Generating Facilities—Fuel Supply/Procurement" and "—Joint Powers Agency Obligations."

(10) Increase in Fiscal Year 2022-23 primarily due to exceptionally elevated winter natural gas prices, which in turn caused significantly elevated power prices. Such power prices were already higher due to the Ukraine/Russia war which commenced in early 2022, which caused price disturbances in both the gas and power markets.

(11) Includes payments relating to transmission projects with SCPPA (STS, Mead-Phoenix and Mead-Adelanto). See the caption "—Transmission and Distribution Facilities."

(12) Excludes GASB 68 non-cash adjustments of $(1,323), $3,364 and $9,682, $(16,425) and $(1,308) for Fiscal Years 2018-19 through 2022-23, respectively. Excludes GASB 75 adjustments of $300, $490, $183, $530 and $431 for Fiscal Years 2018-19 through 2022-23, respectively. See the caption "THE PUBLIC UTILITIES DEPARTMENT—Employment Matters."

(13) Decrease reflects non-cash pension accounting standard adjustment.

(14) Increase reflects one-time employee stipend (not qualifying for the purpose of pension compensation) approved by the City Council on September 20, 2022.

(15) Includes debt service on portion of 2020 Pension Obligation Bonds that is attributable to the Electric System. Notwithstanding the inclusion of debt service in the table, such amounts are payable from moneys remaining after payment of Electric System Revenue Bonds.

Source: City.

Electric System Strategic Plan

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

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

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

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

- Contribute to the City's economic development while preserving RPU's financial strength;
- Maximize the use of technology to improve utility operations;

- Impact positively legislation and regulations at all levels of government;

- Develop and implement electric and water resource plans; and

- Create and implement a workforce development plan.

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

The Thriving Financially Roadmap reviewed the areas of rates, reserves, debt and other related policies to ensure the financial balance of RPU. Rates, cash reserves, debt and other revenue sources were evaluated together with the development of a 10-year pro-forma (financial plan). Several dependent projects were completed during the development of the 10-year pro-forma and rate plan. These projects include the update and approval of the reserve policy, development and approval of an overall fiscal policy and development and approval of electric and water cost of service studies.

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

Operating Initiatives and Reserves. The City's retail revenues increased by approximately 13.7% from Fiscal Years 2018-19 to 2022-23 primarily as a result annual increases in retail rates approved by City Council on May 22, 2018. Historically, retail revenues have generally increased year over year due to annual increases in retail rates. Operating and Maintenance Expenses (excluding depreciation and public benefit programs) increased by approximately 19.0% from Fiscal Years 2018-19 to 2022-23 due to higher power costs, transmission charges and other miscellaneous operating costs. Positive operating results over time have contributed to improving the City's reserve requirements and the overall goal to continue to be fiscally sound. See the caption "—Unrestricted Cash Reserves."

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

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

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

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

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

See the caption "RISK FACTORS—Climate Change" for a discussion of the City's Economic Prosperity Plan and Climate Action Plan, which applies to the City as a whole.

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

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

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

Beyond rate incentives, the Electric System also offers local businesses a comprehensive assortment of water and energy efficiency programs to improve building efficiency and reduce customer electric consumption. These programs include the Small Business Direct Installation Program, which has helped over 6,000 participants save over $2.0 million in utility costs and conserve over 13 million kWh.

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

The IRP provides for a future resource portfolio with a higher reliance on renewable resources, especially geothermal resources, utility-scale solar photovoltaic ("**PV**") and wind resources, City-owned, lower-carbon emitting natural gas generation and an increased emphasis on energy efficiency and demand-side management programs. The City currently owns 265.5 MW of natural gas fired generation; this generation allows the City to meet its local capacity requirement imposed by the CAISO while minimizing environmental impacts and cost exposures. This natural gas generation is comprised of the 29.5 MW Clearwater power plant, four 49 MW LM-6000 peaking power plants at RERC, and four 10 MW super-peaking power plants at Springs Generating Project. See the caption "—City-Owned Generating Facilities" for a discussion of these facilities.

Since late 2012, the City has contracted for a diverse portfolio of renewable resources totaling 230.5 MW under medium and long term power purchase agreements and power sales agreements. See the caption "—Renewable Resources." This portfolio of renewable resources consists of 86 MW of geothermal resources, 46.3 MW of wind resources, 97.4 MW of solar PV resources and 0.8 MW of biomass resources. This portfolio of renewable resources enabled the City to significantly exceed the Renewable Portfolio Standard ("**RPS**") mandate of 33% of the retail electricity energy needs by 2020. See the caption "FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—State Legislation Affecting the Power Supply." The City served 45% of its retail energy needs with renewable energy in calendar year 2022 (the most recent calendar year for which such information is available). The City has also received approximately 761,000 mWh of Historic Carryover RPS credits from the California Energy Commission ("**CEC**"); these credits can be used along with the energy from the above mentioned renewable resources to meet the City's post-2020 RPS mandates at least through 2028. The City is still actively examining potential replacement options for its IPP contract. With the reconstituted power resource portfolio, the City is likely to have a slightly higher reliance on natural gas in the future and will manage such increased price and supply risk over a one to five-year horizon with hedging contracts using various energy suppliers who have at least an investment grade credit rating.

FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

Federal Policy on Cyber Security

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

The Cybersecurity Information Sharing Act of 2015 was signed into law on December 18, 2015 as part of the year-end Omnibus Appropriations Act. It creates an industry-supported, voluntary cyber security information sharing program that will encourage both public and private sector entities to share cyber-related threat information. The City participates in sharing and receiving information about cyber threats through several hubs, including the Electricity Information Sharing and Analysis Center and the National Cybersecurity and Communication Integration Center.

In addition, the federal Energy Policy Act of 2005, other provisions of which are discussed under the caption "—Federal Energy Legislation—Energy Policy Act of 2005" below, gave FERC the authority to oversee the reliability of the bulk power system, including the authority to approve mandatory cyber security reliability standards. The North American Electric Reliability Corporation ("**NERC**"), which FERC has certified as the nation's Electric Reliability Organization, developed Critical Infrastructure Protection ("**CIP**") cyber security reliability standards. See the caption "RISK FACTORS—Cyber Security" for a discussion of the City's cyber security program.

Federal Energy Legislation

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

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

NERC Reliability Standards. As described above, EPAct 2005 required FERC to certify an ERO to develop mandatory and enforceable Reliability Standards, subject to FERC review and approval. The Reliability Standards apply to users, owners and operators of the Bulk-Power System, as more specifically set forth in each Reliability Standard. On February 3, 2006, FERC issued Order 672, which certified the North American Electric Reliability Corporation ("**NERC**") as the ERO. Many Reliability Standards have since been approved by FERC. Such standards pertain not only to the planning, operations and maintenance of Bulk-Power System facilities, but also to the cyber and physical security of certain critical facilities.

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

Federal Regulation of Transmission Access

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

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

On February 16, 2007, FERC issued Order 890, which concluded that reform of its pro forma OATT was necessary to reduce the potential for undue discrimination and provide clarity in the obligations of transmission providers and customers. Significantly, in Order 890, FERC stated that it will implement its authority under Section 211A of EPAct 2005 with respect to unregulated transmitting utilities on a case-by-case basis and retain the current reciprocity provisions.

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

In April 2022, the FERC issued a Notice of Proposed Rulemaking that would, if adopted, result in reforms to the planning of the nation's transmission system as well as the allocation of costs for new transmission projects. The notice follows FERC's effort to solicit input from interested parties on a variety of reforms aimed at expanding the nation's transmission grid to accommodate the surge of renewable generation expected in the next two decades in order to achieve aggressive decarbonization goals of the Biden Administration and many states. The notice addresses reforms to transmission planning and cost allocation.

Other Federal Legislation

Legislation is introduced frequently in Congress addressing domestic energy policies and various environmental matters and impacts relating to energy, including the generation of energy using conventional and unconventional technologies. Issues raised in recent legislative proposals have included implementation of energy efficiency and renewable energy standards, addressing transmission planning, siting and cost allocation to support the construction of renewable energy facilities, cyber security legislation that would allow FERC to issue interim measures to protect critical electric infrastructure, a federal cap-and-trade program to reduce GHG emissions and renewable energy incentives that could provide grants and credits to municipal utilities to invest in renewable energy infrastructure. Congress has also considered other bills relating to energy supplies and development (such as a federal energy efficiency standard and expedited permitting for natural gas drilling projects), cyber security, reducing regulatory burdens, climate change and water quality. Many of these bills, if enacted into law, could have a material impact on the Electric System and the electric utility industry generally. In light of the variety of issues affecting the electric utility sector, federal energy legislation in other areas such as reliability, transmission planning and cost allocation, operation of markets, environmental requirements and cyber security is also possible. The City is unable to predict the outcome or potential impacts of any possible legislation on the City at this time.

Nuclear Regulatory Commission Initiatives

The NRC has broad authority under federal law to impose licensing and safety-related requirements for the operation of nuclear generation facilities. Events at nuclear facilities or impacting the industry generally may lead the NRC to impose additional requirements and regulations on existing and new facilities. For instance, in the aftermath of the March 2011 earthquake and tsunami that caused significant damage to the Fukushima Daiichi Nuclear Power Plant in Japan, the NRC undertook an independent review of the events at Fukushima Daiichi, including a review of the agency's processes and regulations, in order to determine whether the agency should promulgate additional regulations and possibly make more fundamental changes to the NRC's system of regulation. In addition, various industry organizations developed action plans for American nuclear power plants that are designed to ensure their continued reliability. A task force was formed for PVNGS under the direction of the PVNGS' Chief Nuclear Officer.

The NRC issued regulatory requirements for all 104 operating nuclear reactors located in the United States (including PVNGS) based on the task force's evaluations, which including modifications to operating licenses requiring safety enhancements. A number of improvements have been instituted at PVNGS driven by such requirements and the findings of the task force. Among such improvements are an increase in the redundancy in PVNGS power supply to emergency cooling systems, reinforcement of the spent fuel pool, acceleration of the transfer of spent fuel from the pool to the dry cask storage and added pipelines and associated equipment necessary for supplying additional cooling water to the reactors and the staging of "flex" equipment, which includes mobile pumps, generators, hoses and fire trucks that enable PVNGS to shift cooling water through the plant and power critical equipment in the event of a disaster.

In the event of noncompliance with its requirements, the NRC has the authority to impose monetary civil penalties or a progressively increased inspection regime that could ultimately result in the shut-down of a unit, or both, depending upon the NRC's assessment of the severity of the situation, until compliance is achieved. The increased costs resulting from penalties, a heightened level of scrutiny and implementation of plans to achieve compliance with NRC requirements may adversely affect the Electric System's financial condition, results of operations and cash flows. See the caption "THE ELECTRIC SYSTEM—Entitlements—PVNGS."

Environmental Issues

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

Greenhouse Gas Regulations Under the Clean Air Act. The United States Environmental Protection Agency (the "**EPA**") regulates GHG emissions under existing law by imposing monitoring and reporting requirements, and through its permitting programs. Like other air pollutants, GHGs are regulated under the Clean Air Act through the Prevention of Significant Deterioration ("**PSD**") Permit Program and the Title V Permit Program. A PSD permit is required before commencement of construction of new major stationary sources or major modifications of a major stationary source and requires best available control technologies ("**BACT**") to control emissions at a facility. Title V permits are operating permits for major sources that consolidate all Clean Air Act requirements (arising, for example, under the Acid Rain, New Source Performance Standards, National Emission Standards for Hazardous Air Pollutants and/or PSD programs) into a single document. The permit process provides for review of the documents by the EPA, state agencies and the public. GHGs from major natural gas-fired facilities are regulated under both permitting programs through performance standards imposing efficiency and emissions standards.

In May 2023, the EPA proposed new carbon pollution standards for coal and natural gas-fired power plants. The proposed rule would establish carbon dioxide ("**CO_2**") emissions limits and guidelines for new gas-fired combustion turbines, existing coal, oil and gas-fired steam generating units and certain existing gas-fired combustion turbines. The proposal includes the following elements, in each case reflecting the application of best systems for emissions reduction, taking into account costs, energy requirements and other statutory factors: (i) strengthening the current New Source Performance Standards for newly built fossil fuel-fired stationary combustion turbines (generally natural gas-fired); (ii) establishing emission guidelines for carbon pollution from existing fossil fuel-fired steam generating electric generating units (including coal, oil and natural gas-fired units) beginning January 1, 2030; and (iii) establishing emission guidelines for large, frequently used existing fossil fuel-fired stationary combustion turbines (generally natural gas-fired) beginning January 1, 2032 or January 1, 2035, depending on certain characteristics. Under the proposed rule, emissions standards are established for different subcategories of power plants according to unit characteristics such as their capacity, their intended length of operation and/or their frequency of operation. The proposed rule would generally require more CO_2 emissions control at fossil fuel-fired power plants that operate more frequently and for more years and would phase in increasingly stringent CO_2 requirements over time. The standards are based on emission control methods that can be installed at the plants, including technologies such as carbon capture and sequestration/storage, low-GHG hydrogen co-firing, and natural gas co-firing; however, the determination of whether to implement such technologies or to comply with the proposed emissions limits by other means would be made by power plant operators and state regulators. Under the proposal, states would be required to submit compliance plans to the EPA within 24 months of the effective date of the adoption of the regulations. The EPA has requested public comment on the proposed regulation. The public comment period on the proposed regulation closed on July 24, 2023, 60 days after the date of publication in the Federal Register. There can be no assurance that the final regulations to be adopted after public comment will reflect the currently proposed standards or as to the timing of the adoption and implementation thereof.

The Biden administration's proposed new carbon pollution standards are expected to face legal challenges and the City is unable to predict at this time the outcome of any such challenges. Given the uncertainty regarding such matters, it is too early to determine the effect that any final rules promulgated by the EPA regulating GHG emissions from electric generating units will have on the Electric System.

Inflation Reduction Act. On August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 (the "**IRA**"). The IRA introduces a large amount of funding and grants for governmental and non-profit organizations. Among the most significant energy-related grants are grants for "zero-emissions technologies" and other GHG reduction activities as determined the EPA. Pursuant to the IRA, public power utilities and other tax-exempt entities will also be given access to refundable direct payment tax credits. Among the energy-related tax credits that may be available if certain requirements are met are a clean hydrogen production tax credit, a biogas and energy storage credit and enhancements to the credit for carbon capture. The IRA also expands and extends the renewable electricity production tax credit and the investment tax credits for renewable energy sources.

Air Quality – National Ambient Air Quality Standards. The Clean Air Act requires that the EPA establish National Ambient Air Quality Standards ("**NAAQS**") for certain air pollutants, with the goal of improving public health without consideration of cost. When a NAAQS has been established, each state must identify areas within its boundaries that do not meet the EPA standard (known as "non-attainment areas") and develop regulatory measures in its state implementation plan to reduce or control the emissions of that air pollutant in order to meet the applicable standard and become an "attainment area."

The EPA periodically reviews the NAAQS for various air pollutants and has in recent years increased, or proposed to increase, the stringency of the NAAQS for certain air pollutants. These developments may result in stringent permitting processes for new sources of emissions and additional state restrictions on existing sources of emissions, such as power plants.

In addition, the U.S. Supreme Court found in its review of *EPA v. EME Homer City Generation, LP* that the EPA has authority to impose a cross-state air pollution rule which curbs air pollution emitted in upwind states to facilitate downwind attainment of three NAAQS.

On November 26, 2014, the EPA proposed to strengthen the stringency of the NAAQS for ozone by lowering the existing ozone standard of 75 parts per billion ("**ppb**") to between 65 and 70 ppb, although the EPA also sought public comment on a standard as low as 60 ppb. On October 1, 2015, the EPA issued its final rule, lowering the ozone standard to 70 ppb. Legal challenges to the final rule were filed by a number of states and industry groups. In 2019, the United States Court of Appeals for the District of Columbia Circuit upheld most of the EPA's 2015 thresholds for ground level-ozone. On July 15, 2020, the EPA announced a proposed decision to retain the existing 70 ppb ozone standard. The decision was finalized on December 7, 2020.

On June 10, 2021, the EPA announced that it will reconsider the previous administration's decision to retain the particulate matter NAAQS, which were last strengthened in 2012. The EPA stated that it is reconsidering the previous administration's December 2020 decision to retain existing standards because available scientific evidence and technical information indicate that the current standards may not be adequate to protect public health and welfare, as required by the Clean Air Act. While some particulate matter is emitted directly from sources such as construction sites, unpaved roads, fields, smokestacks or fires, most particles form in the atmosphere as a result of complex reactions of chemicals such as sulfur dioxide and nitrogen oxides, which are pollutants emitted from power plants and other sources.

On January 6, 2023, the EPA announced a planned rulemaking under which the primary (health-based) NAAQS for particulate matter would be strengthened from its current level of 12 micrograms per cubic meter to between 9 and 10 micrograms per cubic meter. Under the rulemaking, the EPA is also proposing revisions to the Air Quality Index and monitoring requirements for particulate matter NAAQS, with a focus on communities with environmental justice concerns (i.e., accounting for the proximity of populations at increased risk of particulate matter-related health effects to sources of air pollution). There can be no assurance that the final regulations to be adopted after public comment will reflect the currently proposed standards or as to the timing of the adoption and implementation thereof.

Mercury and Air Toxics Standards. The Clean Air Act provides for a comprehensive program for the control of hazardous air pollutants, including mercury. On February 16, 2012, the EPA finalized a rule, the Mercury and Air Toxics Standards (the "**MATS**"), establishing new standards to reduce air pollution from coal- and oil-fired power plants under sections 111 (new source performance standards) and 112 (toxics program) of the Clean Air Act. The MATS rule was amended in 2013 and 2014. Under section 111 of the Clean Air Act, the MATS rule revised the standards that new and modified facilities, including coal- and oil-fired power plants, must meet for particulate matter, sulfur dioxide and nitrogen oxide. Under section 112, the

MATS set new toxics standards limiting emissions of heavy metals, including mercury, arsenic, chromium and nickel, and acid gases, including hydrochloric acid and hydrofluoric acid, from existing and new power plants larger than 25 MW that burn coal or oil. Power plants were to have up to four years to meet these standards. While many plants already meet some or all of these revised standards, some plants would be required to install new equipment to meet the standards.

The MATS had a minimal impact on the City. IPP, which has coal-fired power plants, did not have to install control technology, and the EPA has deemed the IPP units as low-emitting units. IPP is subject to periodic testing, work practice standards and recordkeeping requirements as a result of the MATS rule. On July 17, 2020, the EPA finalized revisions to the electronic reporting requirements for MATS that revised and streamlined reporting and provided enhanced access to MATS data, without imposing new monitoring requirements. In April 2023, the EPA published a proposed rule that would modify regulation of coal- and oil-fired power plants, including further restricting their emissions and changing emissions monitoring requirements. The proposed rule is not yet final and there can be no assurance as to the timing of release or the substance of the final rule.

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

In November 2019, the EPA proposed to revise the 2015 effluent limitation guidelines as they relate to existing facilities. The proposed new standards apply to flue gas desulfurization wastewater and bottom ash transport water and are meant to achieve greater pollution reductions than the 2015 standards by taking into account new and more affordable pollution control technologies. The final rule for steam electric power generation point sources was published on August 31, 2020.

On March 29, 2023, the EPA announced a proposed rulemaking to strengthen discharge limits for flue gas desulfurization wastewater, bottom ash transport water, and combustion residual leachate, which are common types of discharges from steam electric power generating facilities (i.e., coal-fired power plants). The proposed regulation would also establish a new set of definitions for various legacy wastewaters, which may be present in surface impoundments prior to more stringent limitations in a discharge permit going into effect. There can be no assurance that the final regulations to be adopted after public comment will reflect the currently proposed standards or as to the timing of the adoption and implementation thereof.

Climate Change. Legislative and regulatory responses to climate change and the effects of climate change could impact the future operations and costs of the Electric System or individual projects. In addition to the matters discussed above, the City may be impacted by future treaties and federal and state laws, rules and regulations that limit carbon dioxide and other GHG emissions from electric generating facilities. Absent legislative action by the U.S. Congress, the EPA has authority to regulate carbon dioxide and other GHG emissions under the Clean Air Act, and any future administrations could promulgate new rules or rules that repeal, revise and/or replace rules that are currently in effect. Furthermore, changes in temperatures, precipitation and the frequency and severity of extreme weather events (such as tornadoes and flooding) and other impacts of climate change could affect peak demands, the operations of the City's Electric System and the costs of maintaining Electric System facilities and power transmission lines. The impacts of these weather events on current and future operations cannot be predicted at this time.

Electric and Magnetic Fields. A number of studies have been conducted regarding the potential long-term health effects of exposure to electric and magnetic fields created by high voltage transmission and distribution equipment. Additional studies are being conducted to determine the relationship between electric and magnetic fields and certain adverse health effects, if any. At this time, it is not possible to predict the extent of the costs and other impacts, if any, which the electric and magnetic fields concerns may have on electric utilities, including the Electric System.

Resource Adequacy

Resource adequacy requirements apply to the Electric System and are intended to ensure that the Electric System has contracted for sufficient amounts of capacity to meet its customers' needs. To the extent that the Electric System fails to procure sufficient capacity resources to meet its loads, it is subject to payment of CAISO procurement costs of replacement capacity. To the extent that a shortfall cannot be attributed to the Electric System specifically, the costs will be spread as part of market uplift charges. These risks apply in the same manner to all load-serving entities. Because of the increased integration of renewable energy sources, the CAISO is contemplating what could be significant changes to the resource adequacy framework, with the potential for impacts on market participant costs. It is still too early to assess the potential impacts on the Electric System. The CPUC has ongoing dockets that could also result in changes to resource adequacy and CAISO market requirements. However, the details of such changes remain to be established.

In 2006, the CAISO filed with FERC its Market Redesign and Technology Upgrade ("**MRTU**") tariff amendment to implement a comprehensive overhaul of the electricity markets administered by the CAISO. The programs under the MRTU initiative were designed to implement market improvements to assure grid reliability and more efficient and cost-effective use of resources and to create technology upgrades that would strengthen the entire CAISO computer system. The California energy market under the MRTU includes the following features, among others, which were not part of CAISO's previous real-time only market tariff:

- An integrated forward market for energy, ancillary services and congestion management that operates on a day-ahead basis;

- Congestion management which represents all network transmission constraints;

- Congestion Revenue Rights to allow market participants to manage their costs of transmission congestion;

- Local energy prices by price nodes (approximately 3,000 nodes in total), also known as locational marginal pricing; and

- New market rules and penalties to prevent gaming and illegal manipulation of the market as well as modifications to certain existing market rules.

The MRTU became operational on April 1, 2009 and the initial MRTU tariff filed with FERC went into effect at that time. Power is scheduled on a nodal basis, rather than the previous zonal system. Furthermore, the MRTU incorporates the CPUC's resource adequacy requirements to ensure that there are adequate energy resources in critical areas. The MRTU requires that all scheduling coordinators for all load-serving entities ("**LSEs**"), which include the City, meet standards concerning forward capacity and energy procurements to meet their load requirements.

In September 2005, the Governor signed into law Assembly Bill 380 ("**AB 380**"), which requires publicly owned utilities to procure adequate resources to meet their peak demands and reserves. In October 2005, the CPUC issued a decision requiring that LSEs under its jurisdiction acquire capacity which is sufficient to serve their forecast retail customer load plus a 15-17% reserve margin. The MRTU tariff incorporates the CPUC's resource adequacy requirements. The MRTU tariff imposes a 15% reserve margin on LSEs that are not CPUC jurisdictional entities, such as the City.

The Electric System has historically satisfied its reserve margin requirement through its power supply resources, and the City believes that it will continue to have sufficient power resources to satisfy system capacity requirements as required by the MRTU and AB 380.

State Legislation Affecting the Power Supply

A number of bills affecting the electric utility industry have been introduced or enacted by the State Legislature in recent years. In general, these bills reflect California climate policy developments by regulating GHG emissions and providing for greater investment in energy efficiency and environmentally friendly generation and storage alternatives, principally through more stringent RPS requirements and more aggressive emissions reduction programs to combat the effects of climate change. Legislation enacted in recent years has also focused on addressing issues relating to wildfire risks. Set forth below is a brief summary of certain of these bills and regulatory proceedings.

Senate Bill 350 – Clean Energy and Pollution Reduction Act of 2015. Senate Bill 350 ("**SB 350**"), which the State Governor signed into law in 2015, consists of a multitude of requirements to meet clean energy mandates. The primary elements that affect the City are: (i) the increase in the mandate of the State's RPS to 50% by December 31, 2030; (ii) the doubling of energy efficiency savings by January 1, 2030; and (iii) the transformation of the CAISO into a regional organization. In addition, large municipal electric systems such as the City were required to adopt an IRP on or before January 1, 2019, and to update the plan at least once every five years. See the caption "THE ELECTRIC SYSTEM— Electric System Strategic Plan—Power Resource Portfolio Management" for a description of the City's IRP.

Senate Bill 100 – 100 Percent Clean Energy Act of 2018. Senate Bill 100 ("**SB 100**"), signed into law on September 10, 2018, increases the State's RPS goals by modifying the RPS percentage targets for certain compliance periods. The measure maintained the 33% RPS target by December 31, 2020, while the compliance periods following it changed to 44% by December 31, 2024, 52% by December 31, 2027, 60% by December 31, 2030 and sets a goal of 100% "clean energy" by the year 2045. Simultaneously with the signing of SB 100, the Governor signed an executive order that directs the State to achieve carbon neutrality by 2045 and net negative GHG emissions thereafter. The goal of carbon neutrality by 2045 is in addition to existing Statewide targets of reducing GHG emissions. The State expects to achieve carbon reductions through sequestration in forests, soils and other natural landscapes.

In December 2020, the CEC adopted regulations to update its RPS enforcement procedures for local, publicly owned electric utilities, including to update regulations amended by both SB 350 and SB 100, among other enacted bills. This includes implementing a provision relating to the long-term procurement of renewable resources which requires, beginning January 1, 2021, that at least 65% of renewable procurement must be for a duration of 10 years or more. The regulations implement the new RPS procurement requirements for the compliance periods between 2021 and 2030, establish soft procurement targets for the intervening years of the compliance periods to demonstrate reasonable progress in meeting the RPS procurement target for the compliance periods and establish three-year compliance periods beginning after 2030. The regulations also define requirements for 10-year procurement contracts for purposes of satisfying the long-term procurement requirement. The City will need to include the increased requirements in its future IRP.

Senate Bill 1020. Senate Bill 1020 ("**SB 1020**"), the Clean Energy, Jobs, and Affordability Act of 2022, was signed into law by the State Governor in September 2022 and became effective on January 1, 2023. SB 1020 revises SB 100's policy on eligible renewable energy resources and zero-carbon resources supply, and establishes that it is the policy of the State that eligible renewable energy resources and zero-carbon resources supply: (i) 90% of all retail sales of electricity to California end-use customers by December 31, 2035; (ii) 95% of all retail sales of electricity to California end-use customers by December 31, 2040; (iii) 100% of all retail sales of electricity to California end-use customers by December 31, 2045; and (iv) 100% of electricity procured to serve all State agencies by December 31, 2035.

Assembly Bill 1279. In September 2022, the State Governor signed into law Assembly Bill 1279 ("**AB 1279**"), which becomes effective on January 1, 2023 and establishes additional GHG emission reduction goals. AB 1279 declares the policy of the State both to achieve net-zero GHG emissions as soon as possible, but no later than 2045, and to achieve and maintain net negative GHG emissions thereafter, and to ensure that by 2045, Statewide anthropogenic GHG emissions are reduced to at least 85% below the 1990 levels. Under AB 1279, "net zero GHG emissions" means emissions of GHGs to the atmosphere are balanced by removals of GHG emissions over a period of time. AB 1279 directed CARB to ensure that its scoping plan identifies and recommends measures to achieve these policy goals. The State Legislative Analyst's Office is required to conduct an independent assessment of progress towards the bill's objectives every two years and to make its findings available to the public.

Assembly Bill 32 – Global Warming Solutions Act of 2006. Assembly Bill 32 ("**AB 32**"), which the State Governor signed into law in 2006, required that utilities reduce their GHG emissions to 1990 levels by the year 2020. In addition, Senate Bill 32 ("**SB 32**"), which the Governor signed into law in 2016, requires that Statewide GHG emissions are reduced to 40% below 1990 levels by 2030.

AB 32 tasked the California Air Resources Board ("**CARB**") with developing regulations for GHG emissions that became effective January 1, 2012. Emission compliance obligations under the cap-and-trade regulation (the "**Program**") began on January 1, 2013. The Program was implemented in phases, with the first phase lasting from January 1, 2013 to December 31, 2014. This phase placed an emission cap on electricity generators, importers and large industrial sources emitting more than 25,000 metric tons of carbon dioxide-equivalent GHGs per year. In 2015, the program expanded to cover emissions from transportation fuels, natural gas, propane and other fossil fuels. Aggregate emissions limitations continually decline under the Program.

The Program requires electric utilities to have GHG allowances on an annual basis to offset GHG emissions associated with generating electricity. CARB provides a free allocation of GHG allowances to each electric utility to mitigate retail rate impacts. Thereafter, utilities are required to purchase allowances through the auction or on the secondary market to offset their associated GHG emissions. Each allowance can be used for compliance purposes in the current year or carried over for use in future year compliance.

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

Assembly Bill 398 – GHG Cap-and-Trade Program Extension. Assembly Bill 398 ("**AB 398**"), which the State Governor signed into law in 2017, extended the GHG cap-and-trade program to December 31, 2030. This bill was also a companion bill to Assembly Bill 617 ("**AB 617**"; see the subcaption "—Assembly Bill 617 – Air-Quality Monitoring"). The City's free allocation of GHG allowances is expected to be sufficient to meet the City's direct GHG compliance obligations through 2030. However, the City could be adversely affected in the future if the GHG emissions of its resource portfolio are in excess of the allowances administratively allocated to it and the City is required to purchase compliance instruments on the market to cover its emissions.

The City is required to consign 100% of its allowances and then purchase allowances to meet its compliance obligation. Under AB 398, CARB was directed to include cost containment provisions to keep allowance prices from rising too high and pushing business expansion outside of the state (referred to as “leakage”). Other components of the law that required clarification included the banking provisions and the specific GHG revenue spending requirement for revenues generated from the sale of excess allowances. Amendments to the cap-and-trade regulations to reflect the requirements of AB 398 were adopted by CARB and went into effect on April 1, 2019. The Electric System will continue to monitor the outcome and impacts of future regulations on its service territory and ratepayers.

Assembly Bill 617 – Air Quality Monitoring. AB 617, which the State Governor signed into law in 2017, was part of a legislative bill package with AB 398, which authorized the extension of the cap-and-trade Program in the State. See the subcaption “—Assembly Bill 398 – GHG Cap-and-Trade Program Extension.” AB 617 addresses the disproportionate impacts of air pollution in environmental justice communities. Both CARB and local air districts are required to take specific actions to reduce air pollution and toxic air contaminants from commercial and industrial sources, including from electricity-generating facilities. The bill required CARB to prepare a Statewide monitoring plan regarding technologies and reasons for monitoring air quality and, based on that plan, to identify the highest priority locations for the deployment of community level air monitoring systems. Local air districts were required to deploy the air monitoring systems in the specified communities by July 1, 2019. Additional locations for the deployment of the systems will be identified annually by CARB beginning in early 2020. CARB is also required to provide grants to community-based organizations for technical assistance and to support community participation in the programs. In turn, this effort requires local air districts to adopt a community emissions reduction program.

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

AB 617 imposes additional reporting requirements. For the City, the local air district is the Southern California Air Quality Management District (“**SCAQMD**”). CARB and SCAQMD have held and continue to hold community meetings to implement the required elements of AB 617. The City continues to monitor developments under AB 617.

Senate Bill 1368 – Emission Performance Standard. Senate Bill 1368 (“**SB 1368**”), which the State Governor signed into law in 2006, mandates that electric utilities are prohibited from making long-term financial commitments (commitments greater than five years in duration) for generating resources with capacity factors greater than 60% that exceed a GHG emission factor of 1,100 pounds/mWh. SB 1368 essentially prohibits any long-term investments in generating resources based on coal. Thus, SB 1368 initially disproportionally impacted Southern California publicly owned utilities, as these utilities had heavily invested in coal technology, but the changing landscape of legislation and regulations that are constantly increasing renewable goals and continually decreasing GHG emissions have led to a gradual decrease in the generation of existing coal resources to serve load.

The City has ownership entitlement rights to 136 MW of IPP. IPP has a GHG emission factor of approximately 2,000 pounds/mWh. IPP is expected to be repowered to replace the coal units with combined cycle natural gas units by July 1, 2025. The City did not renew its IPP Power Purchase Contract, the term of which ends in June 2027. See the caption “THE ELECTRIC SYSTEM—Entitlements—IPP Generating Station.”

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

Energy Procurement and Efficiency Reporting. Senate Bill 1037 ("**SB 1037**") was signed into law by the State Governor in September 2005. It requires the City, prior to procuring new energy generation resources, to acquire all available energy efficiency, demand reduction and renewable resources that are cost effective, reliable and feasible. SB 1037 also requires the City to report annually to its customers and to the State its investment in energy efficiency and demand reduction programs. The City is complying with these reporting requirements.

Assembly Bill 2514 – Energy Storage. Assembly Bill 2514 ("**AB 2514**"), which the State Governor signed into law on September 29, 2010, directs municipal electric utilities to consider setting targets for energy storage procurement but emphasizes that any such targets must be consistent with technological viability and cost effectiveness. The law's main directives and their respective deadlines are to adopt an energy storage system procurement target by October 1, 2014, if determined to be appropriate, to be achieved by each utility by December 31, 2016, and a second target to be achieved by December 31, 2020. Municipal electric utilities were required to submit compliance reports to the CEC in 2017 and 2021, which the City did.

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

On February 17, 2012, the Board opened a proceeding to investigate the various ES technologies available and determine whether the City should adopt energy storage procurement targets. The City concluded its investigation of energy storage pricing and benefits in September 2014 and adopted a zero MW target based on the conclusion that the viable applications of ES technologies and solutions at the time were not cost effective and outweighed the benefits that they might provide to the Electric System.

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

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

On March 3, 2015, City Council approved the Ice Bear Pilot program for 5 MWs of ES. The program is intended to reduce load during peak hours, improve energy efficiency and demonstrate the City's proactive support of the State's energy storage goals. During the term of the contract, the program contractor (Ice Energy) successfully installed 111 "Ice Bear" thermal energy storage devices on customer sites throughout the City and commissioned a total of 3.126 MWs. Towards the end of the contract term in 2019, Ice Energy filed a petition for bankruptcy. The bankruptcy case was closed in 2022 and the court disbursed a portion of Ice Energy's available funds to the City based on the claim that the City had filed under the bankruptcy proceeding. Thule Energy Storage acquired all of Ice Energy's assets and intellectual property through Ice Energy's bankruptcy proceeding. On May 17, 2022, City Council approved the Thule Energy Storage Service Agreement, which will provide preventative maintenance and optional as-needed repairs for a 5-year term to the commissioned "Ice Bear" units.

On July 28, 2015, the City Council approved a 20-year power purchase agreement for the City to procure renewable energy from the Antelope DSR Solar Photovoltaic Project, which includes a built-in energy storage option for the buyers to exercise during the first 15 years of operation. See the caption "THE ELECTRIC SYSTEM—Renewable Resources—AES – Summer Solar, Antelope Big Sky Ranch and DSR 1 Solar."

Senate Bill 380 – Moratorium on Natural Gas Storage – Aliso Canyon. On October 23, 2015, a significant gas leak was discovered at the Aliso Canyon natural gas storage facility, which makes up 63% of total storage capacity of Southern California Gas Company and serves 17 gas fired power generation units. On May 10, 2016, the State Governor signed Senate Bill 380, placing a moratorium on Aliso Canyon's natural gas storage usage until rigorous tests were performed and completed by the Division of Oil, Gas, and Geothermal Resources as to which wells could continue to be in operation. This moratorium caused great concern regarding the reliability of natural gas supplies in the upcoming summer and winter months. An action plan study area was initiated to review the summer and winter assessment that was conducted as a joint effort between the CPUC, CEC, CAISO and LADWP. Although the area of study neither includes nor immediately impacts the City, it is highly plausible that the market for natural gas could be affected by curtailed gas deliveries under certain adverse low-flow gas scenarios.

The Electric System has fulfilled its system reliability since the gas leak was discovered at the Aliso Canyon facility. The City will continue to monitor developments in this area, but does not expect limitations on withdrawals from the facility to have a significant effect on the Electric System's ability to meet customer demand.

Assembly Bill 802 – Building Energy Use Benchmarking and Public Disclosure Program. Assembly Bill 802 ("**AB 802**"), which the State Governor signed into law in 2015, creates a new Statewide building energy use benchmarking and public disclosure program in the State. AB 802 requires electric utilities to maintain records of energy usage data for all commercial and multifamily buildings with over 50,000 square feet of gross floor area for at least the most recent 12 months. Utilities are required to deliver or provide aggregated energy usage data for a covered building to the owner, owner's agent or operator upon written request. The Electric System provides consumption data for buildings meeting the statutory requirements upon owners' written request.

Assembly Bill 1110 – Greenhouse Gas Emissions Intensity Reporting. Assembly Bill 1110 ("**AB 1110**"), which the State Governor signed into law in 2016, requires GHG emissions intensity data and unbundled renewable energy credits to be included as part of retail suppliers' power source disclosure reports and power content label ("**PCL**") to their customers. GHG emissions intensity factors will need to be provided for all retail electricity products. The inclusion of this new information requirement on the PCL began in 2021 for calendar year 2020 data. In addition to being required to post the PCL on the City's website, AB 1110 also requires that PCL disclosures must be mailed to customers unless customers have opted for electronic notifications. In accordance with this requirement, the City includes printed disclosures of the PCL to its customers. The CEC adopted updated regulations in December 2019 reflecting the change in the required reporting year for including the GHG emissions intensity data on the PCL.

Senate Bill 859 – "Budget Trailer Bill" – Biomass Mandate. Senate Bill 859 ("**SB 859**"), which the State Governor signed into law on September 14, 2016, amended the State's cap-and-trade program (as discussed under the subcaptions "—Assembly Bill 32 – Global Warming Solutions Act of 2006" and "—Assembly Bill 398 – GHG Cap-and-Trade Program Extension" to include a biomass procurement mandate for publicly owned utilities that serve more than 100,000 customers. Such utilities were required to procure their pro-rata share of the Statewide obligation of 125 MW based on the ratio of each utility's peak demand to the total Statewide peak demand from existing in-State bioenergy projects for at least a five-year term. SB 901, signed into law in September 2018 and discussed below under the subcaption "—Legislation Relating to Wildfires"), requires certain of these biomass contracts to have their term extended five years past the original expiration date.

On October 13, 2016, the CPUC adopted Resolution E-4805, which established that publicly owned utilities would be allocated 29 MW of the 125 MW Statewide mandate. The City has determined that its obligated share would be 1.3 MW, although pending CEC direction could change this share.

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

See the caption "THE ELECTRIC SYSTEM—Renewable Resources—Roseburg Forest Products" for a discussion of an SB 859-compliant power purchase agreement. Due to the specific requirements of SB 859, the available facilities that satisfy the requirements of the law are limited.

Senate Bill 1109. Senate Bill 1109 ("**SB 1109**"), signed into law by the State Governor on September 16, 2022 (and effective on January 1, 2023), modifies SB 859, requiring publicly owned utilities that serve more than 100,000 customers to procure, by December 1, 2023, through financial commitments of 5 to 15 years, their proportionate shares (based on the ratio of the utility's peak demand to the total Statewide peak demand), of 125 MW of cumulative rated capacity from existing bioenergy projects that generate energy from: (a) a byproduct of sustainable forestry management; and (b) high fire-hazard zones. However, such modified requirements under SB 1109 do not apply if the utility, either directly or through a joint powers authority, entered into the five-year financial commitments as previously required pursuant to SB 859 and those commitments included: (1) a contract with a facility operator that was, on June 1, 2022, in bankruptcy; or (2) a contract for a project that does not deliver energy to the utility. SB 1109 will not impose additional requirements on the City because the City entered into the five-year financial commitments as previously required pursuant to SB 859. SB 1109 also modified SB 901's contract extension requirement, instead requiring utilities with certain biomass contracts that expire before December 31, 2028, to seek to extend their term five years past the expiration date operative in 2022. These contract extension requirements, similarly, do not apply to the City under SB 1109.

Legislation Relating to Wildfires. Senate Bill 1028 ("**SB 1028**"), which was signed into law by the State Governor in September 2016, requires municipal electric utilities to construct, maintain and operate their electrical lines and equipment in a manner that will minimize the risk of catastrophic wildfire posed by those electrical lines and equipment. SB 1028 also requires the governing board of each municipal electric utility to make an initial determination as to whether its overhead electric lines and equipment pose a significant risk of catastrophic wildfire based on historical fires and local conditions and if so, to present for board approval wildfire mitigation measures that the utility intends to undertake to minimize the risk. While governing boards must make this determination independently based on all relevant information, the CPUC's Fire Threat Map is an important factor in this process. The Fire Threat Map was adopted by the CPUC on January 19, 2018. According to the Fire Threat Map, parts of the Electric System are in an elevated fire threat zone. The Electric System owns transmission assets, including, but not limited to, wires, poles and other needed equipment to safely maintain and deliver power generated from generation assets located outside City limits.

Senate Bill 901 ("**SB 901**"), which was signed into law by the State Governor in 2018, addresses the response to, mitigation of and prevention of wildfires. SB 901 requires municipal electric utilities to prepare before January 1, 2020 and annually thereafter a wildfire mitigation plan (a "**WMP**"), which is to be submitted to a newly created Wildfire Safety Advisory Board (the "**WSAB**"). SB 901 further requires utilities to present their WMPs in an appropriately noticed public meeting, to accept comments on the plan from the public, other local and state agencies and interested parties and to verify that the plan complies with all applicable rules, regulations, and standards, as appropriate. SB 901 also requires the utilities to contract with a qualified independent evaluator to review and assess the comprehensiveness of their WMPs. The report of the independent evaluator is to be made available on the Internet and to be presented at a public meeting of the utilities' governing boards.

Under Assembly Bill 1054 ("**AB 1054**"), which was signed into law in July 2019, the WSAB is required to provide comments and an advisory opinion to each publicly owned utility regarding the content and sufficiency of its plan and to make recommendations on the mitigation of wildfire risks. AB 1054 requires each publicly owned utility to comprehensively revise its WMP at least once every three years.

The City Council made the WMP determination on December 17, 2019, determining that certain areas of the City lie within a high fire threat district or an elevated fire risk district. In these areas, there is a high possibility that a wildfire which ignites outside of City limits can subsequently enter the City. The major urban/rural interface areas of high fire risk within the City include Mount Rubidoux, the Santa Ana River Basin, Lake Hills, Mockingbird Canyon/Monroe Hills, Sycamore Canyon, Box Springs Mountain and La Sierra/Norco Hills.

The City's WMP, which was originally adopted on December 17, 2019, lays out a number of steps to mitigate such risk, including: (i) identifying circuits that have overhead structures in elevated or extreme fire danger zones; (ii) monitoring weather conditions; (iii) designing and constructing Electric System facilities to meet CPUC General Order 95 and National Electric Safety Code standards; (iv) increasing vegetation clearances and tree evaluations in high fire threat districts; (v) frequent inspections of Electric System facilities; (vi) staff training; and (vii) reclosing of the Electric System's 4 kV and 12 kV distribution systems.

The City's 2023 WMP was developed by the RPU Wildfire Working Group, with concurrence from the City's Fire Department, for the purpose of establishing structured protocols to reduce and mitigate the risk of Electric System infrastructure causing a wildfire. The 2023 WMP complies with the requirements of SB 901. RPU contracted with Chloeta Fire, LLC ("**Chloeta**") in March 2023 for an independent evaluation of the 2023 WMP, which evaluation was completed in April 2023. Chloeta's evaluation concluded that the 2023 WMP meets the requirements of SB 901 (codified at California Public Utilities Code Section 8387).

On July 18, 2023, the City Council approved the City's for submittal to the WSAP in accordance with SB 901.

SB 901 also requires utilities that secure biomass procurement contracts under SB 859 (discussed above under the subcaption "—Senate Bill 859 – "Budget Trailer Bill" – Biomass Mandate") to seek a five-year extension of the term of such contracts. See the caption "THE ELECTRIC SYSTEM—Renewable Resources—Roseburg Forest Products" for a discussion of an SB 859-compliant power purchase agreement.

A number of significant wildfires have occurred in California during the last several years. Under the doctrine of inverse condemnation (a legal concept that entitles property owners to just compensation if their property is damaged by a public use), State courts have imposed liability on utilities in legal actions brought by property holders for damages caused by the utility's infrastructure. Thus, if the facilities of a utility, such as its electric distribution and transmission lines, are determined to be the substantial cause of a fire, and the doctrine of inverse condemnation applies, the utility could be liable for damages without having been found negligent. In August 2019, in its decision in the case of *City of Oroville v. Superior Court of Butte County* (2019) 7 Cal.5th 1091, 446 P.3d 304, involving damages related to sewage overflows from a city sewer system, the State Supreme Court held that to succeed on an inverse condemnation claim, a property owner must demonstrate that the property damage was the probable result or necessary effect of an inherent risk associated with the design, construction or maintenance of the relevant public improvement. SB 1028, SB 901 and AB 1054 do not address the existing legal doctrine relating to utilities' liability for wildfires. However, any future legislation that addresses the State's inverse condemnation and "strict liability" issues for utilities in the context of wildfires in particular could be significant for the electric utility industry, including the City.

Other Factors

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

The City is unable to predict what impact the above-described factors will have on the business operations and financial condition of the Electric System, but the impacts could be significant. This Official Statement includes a brief discussion of certain of these factors. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is available from legislative and regulatory bodies and other sources in the public domain, and potential purchasers of the 2023A Bonds should obtain and review such information. Such information is not incorporated herein by reference.

The City cannot predict at this time whether any additional legislation or rules will be enacted which will affect the Electric System's operations, including purchased power, and if such laws or rules are enacted, what the costs to the City might be in the future because of such action. The City does not currently expect significant changes to the Electric System's operations or operating costs in the future.

RISK FACTORS

The following information, in addition to the other matters that are described in this Official Statement, should be considered by prospective investors in evaluating the 2023A Bonds. However, the following does not purport to be comprehensive, definitive or an exhaustive listing of risks and other considerations that may be relevant to making an investment decision with respect to the 2023A Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative *importance of any such risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal of or interest on the 2023A Bonds.*

The 2023A Bonds Are Limited Obligations

The City's General Fund is not liable for the payment of debt service on the 2023A Bonds, nor is the credit or taxing power of the City pledged to the payment of debt service on the 2023A Bonds. No owner of any 2023A Bond may compel the exercise of the taxing power by the City or the forfeiture of any of its property. The principal of and interest on the 2023A Bonds are neither a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues, except the Net Operating Revenues and other funds, security and assets that are pledged to the payment of the 2023A Bonds under the Resolution.

Factors that can adversely affect the availability of Net Operating Revenues include, among other matters, general and local economic conditions and changes in law and government regulations (including initiatives and moratoriums on certain types of electrical energy generation). The realization of future Net Operating Revenues is also subject to, among other things, the capabilities of management of the City, the ability of the City to provide electric service to its customers, the ability of the City to establish, maintain and collect charges for electric service to its customers and the ability of the City to establish, maintain and collect rates and charges sufficient to pay debt service on the 2023A Bonds.

Limitations on Remedies

The enforceability of the rights and remedies of the owners of the 2023A Bonds and the Fiscal Agent, and the obligations incurred by the City, may be subject to the following: the limitations on legal remedies against cities in California; the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; principles of equity which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution of the United States; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the 2023A Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitations or modification of their rights. Remedies may be limited because the Electric System serves an essential public purpose.

Debt Service Reserve Account Not Funded

Under the Resolution, the City may, but is not required to, establish a separate reserve account for a Series of Bonds. The City has established a debt service reserve account for the 2023A Bonds, but the 2023A Bond Reserve Requirement is $0. Consequently, no amounts have been deposited into such debt service reserve account. The owners of the 2023A Bonds have no rights to moneys in the reserve accounts established for other series of outstanding Bonds.

Electric System Expenses and Collections

The Electric System's facilities, timely payment of debt service on the 2023A Bonds and the financial condition of the City's Electric System are dependent, in part, upon the payment by customers of the amounts billed to such customers for the energy that they receive. There are multiple factors that might result in increased overall rates charged to such customers and, as a result, potentially have an adverse effect on collections. Many of these factors are not under the influence or control of the City or are factors over which the City has only limited influence or control. These factors include, but are not limited to, the following factors:

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

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

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

Impact of These Factors. The factors discussed above (and other factors) might result in increased rates while the 2023A Bonds remain outstanding. If one or a combination of such factors lead to increased retail rates for electric energy, such increases could lead to increased delinquencies and non-payments by customers. See the caption "THE ELECTRIC SYSTEM—Uncollectible Accounts" for a discussion of uncollectible accounts.

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

Although the City has covenanted to prescribe, revise and collect rates and charges for the Electric System at certain levels, there can be no assurance that such amounts will be collected in the amounts and at the times necessary to make timely payments with respect to the 2023A Bonds. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2023A BONDS—Rate Covenant."

Rate Regulation

The authority of the City to impose and collect rates and charges for electricity that it sells and delivers is not currently subject to the regulatory jurisdiction of the CPUC, and presently no other regulatory authority of the State limits or restricts such rates and charges. It is possible that future legislative changes could subject the rates or service areas of the City to the jurisdiction of regulatory bodies or to other limitations or requirements.

Casualty Risk

Any natural disaster or other physical calamity, without limitation, earthquake, wildfire, drought, high winds, landslide or flood, may have the effect of reducing Net Operating Revenues by causing damage to the Electric System or adversely affecting the economy of the surrounding area. The Resolution requires the City to maintain insurance on the Electric System, but only if and to the extent available from responsible insurers at reasonable rates. In the event of material damage to Electric System facilities, there can be no assurance that insurance proceeds will be adequate to repair or replace such facilities or that specific losses will be covered by insurance. The City does not currently maintain and it has not committed to maintain earthquake or flood insurance on the Electric System's facilities.

The City is located in a seismically active region of Southern California. Three major active earthquake faults are located within 20 miles of Electric System facilities, including the San Andreas and San Joaquin faults, and many transmission facilities that supply the Electric System cross such faults. Earthquakes pose potential significant risks to the Electric System and could result in electricity supply shortages and disruptions to transmission and distribution systems. Another potential hazard related to earthquakes is soil liquefaction, which occurs when solids take on properties of a liquid. In the event of a liquefaction event, affected Electric System facilities could fail or sustain significant damage. The seismic vulnerability of the Electric System is mitigated by a geographically diverse electric supply system and a number of interconnections that allow the City to purchase electricity from other agencies in the event of a local disaster.

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

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2023A Bonds, the City has agreed to comply with the applicable requirements of the Code and agreed not to take any action or fail to take any action if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the 2023A Bonds thereunder. Interest on the 2023A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of such 2023A Bonds as a result of acts or omissions of the City in violation of this or other covenants in the Resolution. The 2023A Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions contained in the Resolution.

Parity Obligations

The Resolution permits the City to issue and incur into Additional Bonds and Parity Debt payable from Net Operating Revenues on a parity with the 2023A Bonds, subject to the terms and conditions set forth therein. The issuance and incurrence of Additional Bonds and Parity Debt could result in reduced Net Operating Revenues available to pay the 2023A Bonds. The City has covenanted to maintain coverage of debt service on the 2023A Bonds, Additional Bonds and Parity Debt as further described under the caption

“SECURITY AND SOURCES OF PAYMENT FOR THE 2023A BONDS—Additional Bonds and Parity Debt.”

Limited Recourse on Default

If the City defaults on its obligation to pay the 2023A Bonds, Bondholders have the right to declare the total unpaid principal amount of the 2023A Bonds and all Parity Debt, together with the accrued interest thereon, to be immediately due and payable. However, in the event of a default and such acceleration, there can be no assurance that the City will have sufficient funds to pay such accelerated amounts from Net Operating Revenues.

Rate Covenant Not a Guarantee

The City’s ability to pay the 2023A Bonds depends on its ability to generate Net Operating Revenues at the levels required by the Resolution. Although the City has covenanted in the Resolution to impose rates and charges as more particularly described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2023A BONDS—Rate Covenant,” and although the City expects that sufficient Gross Operating Revenues will be generated through the imposition and collection of such rates and charges, there is no assurance that the imposition and collection of such rates and charges will result in the generation of Net Operating Revenues in amounts that are sufficient to pay the 2023A Bonds.

Climate Change

The State has historically been susceptible to wildfires and hydrologic variability. As GHG emissions continue to accumulate in the atmosphere, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and raising sea levels. The future fiscal impact of climate change on the Electric System is difficult to predict, but it could be significant and it could have a material adverse effect on the City’s finances by requiring greater expenditures to counteract the effects of climate change or by changing the business and activities of Electric System customers.

The City has developed a wildfire mitigation plan in accordance with SB 901, as discussed under the caption “FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—State Legislation Affecting the Power Supply—Legislation Relating to Wildfires.”

The City’s existing Economic Prosperity Plan and Climate Action Plan (the “**CAP**”), which was adopted in 2016, evaluated the impact of climate change through 2020 and established a roadmap by which the City could measure GHG emissions, assist residents in adapting to the effects of climate change and increase the City’s resilience to the effects of climate change. The CAP also sought to ensure that the City’s climate change response supported economic development in the City, including by encouraging investments in green technology.

The City is currently in the process of evaluating and updating the CAP as part of the upcoming General Plan update that is expected to begin in early 2024. The City’s Community and Economic Development Department is taking the lead on the CAP update, with support from the City’s Office of Sustainability. The updated CAP is expected to implement actions to reduce GHG emissions and measure progress with respect thereto, with one goal expected to be achieving carbon neutrality by 2040. There can be no assurance as to when the updated CAP will be adopted, or as to the ultimate content thereof.

See also the caption “THE ELECTRIC SYSTEM—Electric System Strategic Plan” for a detailed discussion of certain sustainability efforts and achievements of the Electric System.

Security of the Electric System

The security of the Electric System is maintained through a combination of regular inspections by RPU personnel, intrusion and motion alarm systems, video surveillance systems, continuous monitoring and analysis of incident reports. Electric system facilities are secured by controlled entry access systems, fencing, gates, closed circuit television and 24-hour alarm monitoring.

In recent years, acts of sabotage and attempts to destroy power generation and transmission facilities have occurred throughout the United States, in particular in the Pacific Northwest and in certain Eastern Seaboard states. To date, there have been no such attacks on the City's Electric System facilities. In addition, military conflicts and terrorist activities may adversely impact the operations and finances of the Electric System. The City continually plans and prepares for emergency situations and immediately responds to ensure that electric services are maintained. However, there can be no assurance that any existing or additional safety and security measures will prove adequate in the event that terrorist activities are directed against the Electric System or that costs of security measures will not be greater than presently anticipated. Further, damage to certain components of the Electric System could require the City to increase expenditures for repairs to the Electric System significantly enough to adversely impact the City's ability to pay debt service on the 2023A Bonds.

Cyber Security

Municipal agencies, like other business entities, face significant risks relating to the use and application of computer software and hardware. In recent years, there have been significant cyber security incidents affecting municipal agencies, including a ransomware attacks targeting the San Bernardino County Sheriff's Department and the Los Angeles Unified School District, a freeze affecting computer systems of the City of Atlanta, an attack on the City of Baltimore's 911 system, an attack on the Colorado Department of Transportation's computers, an attack that resulted in the temporary closure of the Port of Los Angeles' largest terminal and an attack on a water treatment facility in Oldsmar, Florida.

The City's Information Technology Department provides advisory support for the City's electronic system cyber security. This includes audits and recommended improvements to facility hardware and software to keep up to date with the latest cyber security best practices. The City uses multiple layers of security systems to safeguard against cyber-attacks. These systems are deployed at the perimeter as well as at end points of the City's network. The City's multi-level cyber protection scheme includes firewalls, anti-virus software, anti-spam/malware software, intrusion protection, intrusion detection, log monitoring and other security measures. One of the systems is artificial-intelligence based, which analyzes the behavior of users/devices on the network and takes corrective action if any anomaly is detected. The City's network is scanned by third party consultants on a regular basis. The City's Information Technology Department also conducts security awareness training for employees and maintains cloud-based backup storage for its digital files.

See the caption "FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—Federal Policy on Cyber Security."

To date, the City has not experienced a successful attack against its network and servers. However, there can be no assurance that a future attack or attempted attack would not result in disruption of Electric System operations. The City expects that any such disruptions would be temporary in nature due to its backup/restore procedures and disaster recovery planning.

COVID-19 Outbreak

The spread of the novel strains of coronavirus collectively called SARS-CoV-2, which cause the disease known as COVID-19 ("**COVID-19**"), and local, State and federal actions in response thereto, impacted the City and the County and their operations and finances beginning in early 2020. The World Health Organization declared the COVID-19 outbreak to be a pandemic and, on March 4, 2020, as part of the State's response to address the outbreak, the Governor declared a state of emergency. On March 13, 2020, the President declared a national emergency, freeing up federal assistance to state and local governments.

On March 27, 2020, the President signed the $2.2 trillion Coronavirus Aid, Relief, and Economic Stabilization Act, which delivered, among other things, $150 billion in financial aid to states and local governments to provide emergency reimbursement to those most significantly impacted by COVID-19. On March 11, 2021, the President signed the American Rescue Plan Act of 2021 (the "**ARP Act**"), a $1.9 trillion economic stimulus package that was designed to help the United States' economy recover from the adverse impacts of the COVID-19 pandemic.

The Governor suspended utility service shutoffs and the collection (although not the imposition) of late fees and penalties for residential customers through December 31, 2021. The City does not assess late fees or penalties for delinquent Electric System accounts and was not significantly affected by this suspension. The City had an allowance for doubtful accounts as of June 30, 2023 of $2.5 million, and, on August 1, 2022, re-instituted its standard collection procedures which were in place prior to the pandemic. See the caption "THE ELECTRIC SYSTEM—Billings and Collections."

In 2021, the State Legislature established the California Arrearage Payment Program ("**CAPP**") to provide financial assistance to State energy utility customers to reduce past due energy bill balances during the COVID-19 pandemic. Administered by the State Department of Community Services and Development, CAPP dedicated $1 billion in ARP Act funding to address delinquent electric utility balances of 60 days or more incurred from March 4, 2020 through June 15, 2021. CAPP implementation was divided into four distinct phases. The City received funding of approximately $9.2 million for residential customers and $1.9 million for commercial customers in December 2021 under CAPP. The benefits were delivered to customers through a bill credit on a rolling basis.

A second round of CAPP funding (referred to as CAPP 2.0) was announced by the State Legislature in May 2022. CAPP 2.0 extended the COVID-19 relief period from June 16, 2021 to December 31, 2021 for residential customers. The City did not participate in CAPP 2.0.

The City continues to actively monitor public health indicators, tax collections, payment delinquencies, revenues and expenditures so that further impacts of the COVID-19 pandemic can be anticipated. The pandemic, or future pandemics, could impact the City and its residents in one or more of the following ways, among others: (i) fluctuations in financial markets and contraction in available liquidity; (ii) job losses and declines in business activity, which could affect homeowners' employment and ability to pay for utility services; (iii) declines in business and consumer confidence that negatively impact economic conditions or cause an economic recession; (iv) the failure of governmental measures to stabilize the financial sector or introduce fiscal stimulus to counteract negative economic impacts; (v) cancellations of public events; and (vi) disruption of the local economy and potential declines in property values, which could affect homeowners' disposable income.

Secondary Market

There can be no guarantee that there will be a secondary market for the 2023A Bonds or, if a secondary market exists, that any 2023A Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

Taxpayer Protection and Government Accountability Act Initiative

On February 1, 2023, the California Secretary of State announced that a ballot initiative, designated as Initiative 1935 and self-titled by its sponsors as the "Taxpayer Protection and Government Accountability Act," had received the required number of signatures to appear on the November 5, 2024 ballot.

If approved by a majority of voters casting a ballot at the November 5, 2024 Statewide election, Initiative 1935 would make numerous significant changes to Articles XIII, XIIIA, XIIIC and XIIID of the California Constitution to further limit the authority of local governments, and electors via the initiative process, to adopt and impose taxes and fees. See the caption "CONSTITUTIONAL LIMITATIONS." The full text of Initiative 1935 may be viewed at the website of the California Attorney General.

Among other things:

- Initiative 1935 would amend Article XIIIC to state that every levy, charge or exaction of any kind imposed by local law is either a "tax" or an "exempt charge," and would amend the definition of "tax" added to Article XIIIC by Proposition 26 to state that "every levy, charge, or exaction of any kind imposed by a local law that is not an "exempt charge" constitutes a tax. Initiative 1935 narrows the definition of "exempt charge" to mean a "reasonable charge for a specific local government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the *actual costs* [as opposed to the reasonable costs] to the local government of providing the service or product to the payor." "Exempt charges" also encompass existing exceptions from the definition of "tax" added to Article XIIIC by Proposition 26. "Actual costs" is defined in Initiative 1935 to mean "the minimum amount necessary to reimburse the government for the cost of providing the service or product to the payor … where the amount charged is not used by the government for any purpose other than reimbursing that cost. In computing "actual cost" the maximum amount that may be imposed is the actual cost less all other sources of revenue including but not limited to taxes, other exempt charges, grants, and state or federal funds received to provide such service or product." Initiative 1935 would retain an exemption from the definition of "tax" for assessments, fees or charges which are subject to Article XIIID.

- Initiative 1935 would amend Article XIIIC to state that only the governing body of a local government, or an elector acting pursuant to the initiative power, has the authority to impose an exempt charge, and that exempt charges must be imposed by an ordinance specifying the type of exempt charge and the amount or rate of the exempt charge to be imposed, and passed by the governing body, other than for certain exempt charges imposed for a specific health care service. In addition, Initiative 1935 would amend Article XIIIC to prohibit the submission to or approval by the electors of a charter city of any amendment to a municipal charter which provides for the imposition, extension or increase of a tax or exempt charge.

- Initiative 1935 would amend Article XIIIC to require the title, summary and ballot label or questions for a measure providing for the imposition of a tax to include: (a) the type and amount or rate of the tax; (b) the duration of the tax; and (c) the use of the revenue derived from the tax; and (d) if the proposed tax is a general tax, the phrase "for general government use." In addition, no advisory measure may appear on the same ballot that would indicate that the revenue from the general tax will, could or should be used for specific purposes.

- Initiative 1935 would amend Article XIIIC to require that any special tax, whether proposed by the governing body or by an elector, be approved by a two-thirds vote of the electorate.

- Initiative 1935 would amend Article XIIIC to state that the local government bears the burden of proving by *clear and convincing evidence* (as opposed to a preponderance of the evidence) that: (a) a levy, charge or exaction is an exempt charge and not a tax; and (b) the amount of the exempt charge is reasonable and that the amount charged does not exceed the actual cost of providing the service or product to the payor.

- Initiative 1935 would amend Article XIIIC to state that any tax or exempt charge adopted after January 1, 2022, but prior to the effective date of Initiative 1935, which was not adopted in compliance with the requirements thereof is void 12 months after the effective date of Initiative 1935, if adopted, unless the tax or exempt charge is reenacted in compliance with the provisions of Initiative 1935.

The City cannot predict whether Initiative 1935 will be approved by a majority of voters casting a ballot at the November 5, 2024 Statewide election. If Initiative 1935 is approved, the City cannot provide any assurances as to the effect of the implementation or judicial interpretations of Initiative 1935 on the finances of the State, the County, the City or the Electric System.

CONSTITUTIONAL LIMITATIONS

Articles XIIIC and XIIID of the State Constitution

Proposition 218, a State ballot initiative known as the "Right to Vote on Taxes Act," was approved by the voters of the State on November 5, 1996. Proposition 218 added Articles XIIIC and XIIID to the State Constitution. Article XIIID creates additional requirements for the imposition by most local governments (including the City) of general taxes, special taxes, assessments and "property-related" fees and charges. Property-related fees include many utility charges such as water rates, but Article XIIID explicitly exempts fees for the provision of electric service from its provisions. Nevertheless, Proposition 218 could indirectly affect some municipally-owned electric utilities. For example, to the extent that Proposition 218 reduces a city's general fund revenues, that city could seek to increase the transfers from its electric utility to its general fund. For information on the City's transfer of surplus Electric System revenues to the City's General Fund, see the caption "THE ELECTRIC SYSTEM—Transfers to the General Fund of the City" and the caption "—Proposition 26" below.

Article XIIIC expressly extends the people's initiative power to reduce or repeal previously-authorized local taxes, assessments and fees and charges. The terms "fees and charges" are not defined in Article XIIIC, although the State Supreme Court held in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal.4th 205 (2006), that the initiative power described in Article XIIIC may apply to a broader category of fees and charges than the property-related fees and charges governed by Article XIIID. Moreover, in the case of *Bock v. City Council of Lompoc*, 109 Cal.App.3d 52 (1980), the California Court of Appeal, Second District, determined that electric rates are subject to the initiative power. Thus, even electric service charges (which are expressly exempted from the provisions of Article XIIID) might be subject to the initiative provisions of Article XIIIC, thereby subjecting such fees and charges imposed by the City to reduction by the electorate. The City believes that even if the electric rates of the City are subject to the initiative power, under Article XIIIC or otherwise, the electorate of the City would be precluded from reducing electric rates and charges in a manner that adversely affects the payment of the 2023A Bonds by virtue of the "impairment of contracts clause" of the United States and State Constitutions.

Proposition 26

Proposition 26 was approved by the voters of the State on November 2, 2010. Proposition 26 amended Articles XIIIA and XIIIC of the State Constitution to impose a two-thirds voter approval requirement for the imposition of certain fees and charges by the State. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes and a two-thirds voter approval requirement with respect to fees and charges for special purposes. The initiative, according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters pursuant to Proportion 13, approved in 1978, and other measures, such as Proposition 218, through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope "a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product." The City believes that the initiative is not intended to and would not apply to Electric System rates so long as such rates do not exceed the reasonable costs to the City of providing electric service; however, the City is unable to predict how Proposition 26 will be interpreted by the courts to apply to the provision of utility services by local governments such as the electric service provided by the Electric System.

In *Citizens for Fair REU Rates v. City of Redding*, the California Court of Appeal, Third District, held in 2015 that a municipal utility's recurring budget transfer from its electric utility fund to its general fund, referred to therein as a payment in lieu of taxes, constitutes a tax under Proposition 26 unless it can be shown that the transferred amount reflects the reasonable costs borne by the city to provide governmental services to the electric utility. The City of Redding appealed the decision to the State Supreme Court, which reversed the judgment of the Court of Appeal on August 27, 2018. The State Supreme Court determined that the budgetary transfer from the City of Redding electric utility to its general fund is not the type of exaction that is subject to Article XIIIC of the State Constitution. The State Supreme Court reasoned that it is only the City of Redding electric utility rate, not the payment in lieu of taxes, that is imposed on customers for electric service. The State Supreme Court concluded that because the total rate revenue of the electric utility was insufficient to cover the electric utility's uncontested operating expenses (other than the payment to the General Fund) in the years at issue, the challenged rate did not exceed the reasonable costs of providing electric service, and therefore did not constitute a tax.

The City annually transfers certain surplus Electric System revenues to the City's General Fund, as discussed under the caption "THE ELECTRIC SYSTEM—Transfers to the General Fund of the City," and sets its rates and its budget with the expectation that such transfers will continue to be made. In the event that General Fund transfers are restricted, the City does not believe that any such restrictions would have a material adverse effect on the financial position of the Electric System. However, any such restrictions on transfers may cause the City to evaluate new strategies to generate revenues to fund services provided by the City.

See the caption "THE ELECTRIC SYSTEM—Litigation" for a discussion of certain litigation challenging the City's transfers of Electric System revenues to the General Fund.

Future Initiatives

Articles XIIIC and XIIID limited the ability of governmental agencies to increase certain fees and charges. Such articles were adopted pursuant to measures which qualified for the ballot pursuant to the State's Constitutional initiative process. While the City believes that Articles XIIIC and XIIID do not affect the Electric System's rates and charges so long as the rates do not exceed the reasonable costs to the City of providing the utility services, from time to time other initiative measures could be adopted by State voters. The adoption of any such initiatives might place limitations on the ability of the City and the Electric System to increase revenues. See the caption "RISK FACTORS—Taxpayer Protection and Government Accountability Act Initiative."

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the 2023A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Code, generally certain corporations with more than $1,000,000,000 of average annual adjusted financial statement income, interest on the 2023A Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations.

In the further opinion of Bond Counsel, interest on the 2023A Bonds is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest on the 2023A Bonds is based upon certain representations of fact and certifications made by the City and others and is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2023A Bonds to assure that interest on the 2023A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the 2023A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2023A Bonds. The City has covenanted to comply with all such requirements.

The amount by which a 2023A Bond Owner's original basis for determining loss on sale or exchange in the applicable 2023A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the 2023A Bond Owner's basis in the applicable 2023A Bond (and the amount of tax-exempt interest received with respect to the 2023A Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a 2023A Bond Owner realizing a taxable gain when a 2023A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2023A Bond to the Owner. Purchasers of the 2023A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "**IRS**") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2023A Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2023A Bonds might be affected as a result of such an audit of the 2023A Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2023A Bonds to the extent that it adversely affects the exclusion from gross income of interest on the 2023A Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE 2023A BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE 2023A BONDS, INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2023A BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2023A BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE 2023A BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE 2023A BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2023A BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Bond Counsel's engagement with respect to the 2023A Bonds terminates upon their issuance and Bond Counsel disclaims any obligation to update the matters set forth in its opinion. The Resolution and the Tax Certificate relating to the initial issuance of the 2023A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest for federal income tax purposes with respect to any 2023A Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that interest on the 2023A Bonds is excluded from gross income for federal income tax purposes provided that the City continues to comply with certain requirements of the Code, the ownership of the 2023A Bonds and the accrual or receipt of interest on the 2023A Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2023A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2023A Bonds.

Should interest on the 2023A Bonds become includable in gross income for federal income tax purposes, the 2023A Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Resolution.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix E.

CERTAIN LEGAL MATTERS

The valid, legal and binding nature of the 2023A Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, acting as Bond Counsel. The form of such legal opinion is attached hereto as Appendix E, and such legal opinion will be attached to each 2023A Bond. Certain legal matters will be passed upon for the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and by the City Attorney. Norton Rose Fulbright US LLP is acting as counsel to the Underwriters.

The payment of the fees and expenses of Bond Counsel, Disclosure Counsel and the Underwriters' counsel is contingent on the successful issuance of the 2023A Bonds.

LITIGATION

At the time of the issuance of the 2023A Bonds, appropriate officers of the City will certify that there is no litigation pending, or, to the actual knowledge of the City, threatened: (i) questioning the corporate existence of the City, or the title of the officers of the City to their respective offices, or the validity of the 2023A Bonds or the power and authority of the City to issue the 2023A Bonds; (ii) seeking to restrain or enjoin the collection of revenues pledged to pay the 2023A Bonds; or (iii) that, if determined adversely to the City, would affect the ability of the City to pay debt service on the 2023A Bonds when due.

For information about certain lawsuits affecting the Electric System, see the caption "THE ELECTRIC SYSTEM—Litigation." The City's management and its City Attorney are of the opinion that no pending actions are likely to have a material adverse effect on the City's ability to perform its obligations under the Resolution and the 2023A Bonds.

FINANCIAL STATEMENTS

The financial statements of the City's Electric System for Fiscal Year 2021-22 (the "**Financial Statements**") included in Appendix B to this Official Statement have been audited by Lance, Soll & Lunghard, LLP, Brea, California, independent accountants (the "**Auditor**"), as stated in its report appearing in Appendix B. The City has not requested, nor has the Auditor given, the Auditor's consent to including its report in Appendix B. The Auditor's review in connection with the Financial Statements included in Appendix B included events only as of June 30, 2022, and no review or investigation with respect to subsequent events has been undertaken by the Auditor in connection with the Financial Statements.

RELATED PARTIES

J.P. Morgan Securities LLC, the Representative of the Underwriters of the 2023A Bonds, and JPMorgan Chase Bank, N.A., the 2005 Swap Provider, are affiliates of JPMorgan Chase & Co., a Delaware holding company. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE 2023A BONDS—Existing Subordinate Obligations—2005 Swap Agreements" and "UNDERWRITING."

RATINGS

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("**S&P**"), is expected to assign the rating of "AA-" to the 2023A Bonds. Fitch Ratings, Inc. ("**Fitch**" and, together with S&P, the "**Rating Agencies**" or, individually, a "**Rating Agency**") is expected to assign the rating of "AA-" to the 2023A Bonds.

A rating is not a recommendation to buy, sell or hold securities. Future events could have an adverse impact on the ratings of the 2023A Bonds, and there is no assurance that any credit rating given to the 2023A Bonds will be maintained for any period of time or that a rating may not be lowered or withdrawn entirely by a Rating Agency, if in the judgment of such Rating Agency, circumstances so warrant, nor can there be any assurance that the criteria required to achieve a rating on the 2023A Bonds will not change during the period that the 2023A Bonds remain outstanding. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2023A Bonds. Such ratings reflect only the views of the respective Rating Agencies (which views could change at any time), and an explanation of the significance of such ratings may be obtained from the applicable Rating Agency. Generally, rating agencies base their ratings on information and materials that is furnished to them (which may include information and material from the City that is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The City has covenanted in the Continuing Disclosure Certificate to file notices of any rating changes on the 2023A Bonds with EMMA. See the caption "CONTINUING DISCLOSURE" and Appendix D. Notwithstanding such covenant, information relating to rating changes on the 2023A Bonds may be publicly available from the Rating Agencies prior to such information being provided to the City and prior to the date by which the City is obligated to file a notice of rating change. Purchasers of the 2023A Bonds are directed to the rating agencies and their respective websites and official media outlets for the most current rating with respect to the 2023A Bonds.

In providing a rating on the 2023A Bonds, the Rating Agencies may have performed independent calculations of coverage ratios using their own internal formulas and methodology, which may not reflect the provisions of the Resolution. The City makes no representations as to any such calculations, and such calculations should not be construed as a representation by the City as to past or future compliance with any financial covenants, the availability of particular revenues for the payment of debt service or for any other purpose.

UNDERWRITING

The 2023A Bonds will be purchased by J.P. Morgan Securities LLC, as representative (the "**Representative**") of itself, Barclays Capital Inc., Samuel A. Ramirez & Co., Inc. and Siebert Williams Shank & Co., LLC (collectively, the "**Underwriters**"), pursuant to a purchase contract, dated the date hereof (the "**Purchase Contract**"), by and among the City and the Underwriters. Under the Purchase Contract, the Underwriters have agreed to purchase all, but not less than all, of the 2023A Bonds for an aggregate purchase price of $34,616,962.36 (representing the principal amount of the 2023A Bonds, plus an original issue premium of $3,300,043.85, and less an Underwriters' discount of $73,081.49). The Purchase Contract provides that the Underwriters will purchase all of the 2023A Bonds if any are purchased, the obligation to make such a purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions.

Under certain circumstances, the initial public offering yields stated on the page immediately following the cover of this Official Statement may be changed from time to time by the Underwriters. The Underwriters may offer and sell the 2023A Bonds to certain dealers (including dealers depositing the 2023A Bonds into investment trusts), dealer banks, banks acting as agent and others at yields higher than said public offering yields.

J.P. Morgan Securities LLC has entered into negotiated dealer agreements (each, a "**Dealer Agreement**") with each of Charles Schwab & Co., Inc. ("**CS&Co.**") and LPL Financial LLC ("**LPL**") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase 2023A Bonds from J.P. Morgan Securities LLC at the original issue price less a negotiated portion of the selling concession applicable to any 2023A Bonds that such firm sells.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

MUNICIPAL ADVISOR

The City has retained PFM Financial Advisors LLC, Los Angeles, California, as municipal advisor (the "**Municipal Advisor**") in connection with issuance of the 2023A Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

CONTINUING DISCLOSURE

In connection with the issuance of the 2023A Bonds, the City will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of Owners and beneficial owners of the 2023A Bonds to provide certain financial information and operating data relating to the Electric System (the "**Annual Report**") by not later than each March 31 following the end of the City's Fiscal Year (which Fiscal Year currently ends on June 30), and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the City on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system, which can be accessed on the Internet at http://emma.msrb.org.

The specific nature of the information to be contained in the Annual Report and the notices of enumerated events is set forth in Appendix D. These covenants were made in order to assist the Underwriters in complying with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended.

The City and its related governmental entities – specifically those entities for whom City staff is responsible for undertaking compliance with continuing disclosure undertakings – have previously entered into numerous disclosure undertakings under Rule 15c2-12 in connection with the issuance of other obligations.

In the past, to assist the City and its related governmental entities in meeting their continuing disclosure obligations, the City retained certain corporate trust banks to act as dissemination agent. The City and its related governmental entities have not, on a handful of occasions during the past five years, fully complied, in all material respects, with their disclosure undertakings because on certain occasions in the last five years, the City did not timely file: (1) notice of rating changes to bond insurers and other credit and/or liquidity providers for City debt obligations; (2) the City's biennial budget for 2018-2020 in connection with the City of Riverside Variable Rate Refunding Certificates of Participation (Riverside Renaissance Projects) Series 2008; (3) a notice of successor trustee for a prior City debt obligation; and (4) certain Fiscal Year 2018-19 operating data in connection with an issuance of pension obligation bonds by the City. In addition, the City did not link certain Fiscal Year 2017-18 information with respect to Bonds of the Electric System to all applicable CUSIPs.

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

MISCELLANEOUS

The attached appendices are integral parts of this Official Statement and should be read in their entirety. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The City has duly authorized the execution and delivery of this Official Statement.

CITY OF RIVERSIDE, CALIFORNIA

By: /s/Edward Enriquez
Assistant City Manager/Chief Financial Officer/Treasurer

By: /s/Todd Corbin
Utilities General Manager

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

CITY AND COUNTY OF RIVERSIDE – ECONOMIC AND DEMOGRAPHIC INFORMATION

The following information is presented as general background data. The 2023A Bonds are payable solely from Net Operating Revenues of the City's Electric System as described in the Official Statement. The taxing power of the City, the County, the State or any political subdivision thereof is not pledged to the payment of the 2023A Bonds.

The information set forth herein has been obtained from third party sources that are believed to be reliable, but such information is not guaranteed by the City as to accuracy or completeness. Although reasonable efforts have been made to include up-to-date information in this Appendix, some of the information is not current due to delays in reporting of information by various sources. It should not be assumed that the trends indicated by the following data would continue beyond the specific periods reflected herein. In particular, certain of the tables in this Appendix include data for periods prior to the outbreak of COVID-19 and may not reflect current information. Neither the delivery of this Official Statement nor any sale of the securities offered hereby shall under any circumstances create any implication that there has been no change in any information contained in this Appendix since the date of the Official Statement.

General

The City of Riverside (the "**City**") is the county seat of Riverside County (the "**County**") and is located in the western portion of the County about 60 miles east of downtown Los Angeles and approximately 90 miles north of San Diego. As of 2023, the population of the City was estimated to be 313,676. Within 10 miles of the City are the cities of San Bernardino, Loma Linda, Corona, Norco, Fontana, Ontario, Rialto, Colton, Moreno Valley and Redlands, among others. These cities and the City are located in the County and the County of San Bernardino and comprise the Riverside-San Bernardino Primary Metropolitan Statistical Area (the "**PMSA**"). The PMSA represents an important economic area of the State and of Southern California. It lies to the west and south, respectively, of the strategic San Gorgonio and Cajon Passes, from which three transcontinental railroads and interstate highways converge to connect the Los Angeles area with the other areas of the nation. The City is situated in close proximity to the metropolitan centers of Los Angeles and Orange Counties.

The County and the County of San Bernardino cover 27,400 square miles, a land area larger than the State of Virginia. As of 2023, the County had a population estimated 2,439,234 and San Bernardino County had a population estimated at 2,182,056. With a population of over 4.6 million, the PMSA ranks as one of the largest Metropolitan Statistical Areas ("**MSAs**") in the United States. The County alone is larger in area than the State of New Jersey. The PMSA, though small geographically in relation to the bi-county area, contains most of the two counties' population.

Municipal Government

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

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

Services and Facilities

Public Safety and Welfare. The City provides law enforcement and fire protection services. The Police Department currently employs approximately 350 sworn officers and the Fire Department employs approximately 225 sworn firefighters operating out of over a dozen fire stations. Other services provided by the City include emergency medical aid, traffic safety maintenance and building safety regulation and inspection.

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

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

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

Population

As of January 1, 2023, the population of the City was estimated to be 313,676. The following table presents historical population data for both the City and County.

POPULATION

Year	***City of Riverside***	***Riverside County***
1950	46,764	170,046
1960	84,332	306,191
1970	140,089	459,074
1980	165,087	663,923
1990	226,505	1,170,413
2000	255,166	1,545,387
2010	302,597	2,179,692
2011	307,207	2,212,874
2012	311,332	2,239,715
2013	316,162	2,266,549
2014	318,511	2,291,093
2015	321,655	2,317,924
2016	324,696	2,347,828
2017	323,190	2,382,640
2018	325,860	2,415,955
2019	328,101	2,440,124
2020	316,307	2,418,185
2021	309,598	2,418,727
2022	314,818	2,430,976
2023	313,676	2,439,234

Sources: 1950-2010 and 2020 U.S. Census; 2011-2023 California Department of Finance (Demographic Research Unit).

Education

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

Employment

The City is included in the PMSA. The unemployment rate in the PMSA was 4.5 percent in March 2023. This compares with an unadjusted unemployment rate of 4.8 percent for California and 3.6 percent for the nation during the same period. The unemployment rate was 4.6 percent in the County and 4.5 percent in San Bernardino County during the same period.

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

RIVERSIDE-SAN BERNARDINO PRIMARY MSA
CIVILIAN LABOR FORCE EMPLOYMENT AND UNEMPLOYMENT (ANNUAL AVERAGES)
(For Calendar Years 2018 Through 2022)

	2018	*2019*	*2020*	*2021*	*2022*
Civilian Labor Force(1)	2,045,200	2,075,200	2,095,800	2,125,300	2,160,600
Employment	1,957,500	1,991,200	1,888,900	1,968,700	2,071,200
Unemployment	87,700	84,000	206,900	156,600	89,400
Unemployment Rate	4.3%	4.0%	9.9%	7.4%	4.1%
Wage and Salary Employment:(2)					
Agriculture	14,500	15,400	14,100	13,700	13,900
Mining and Logging	1,200	1,200	1,300	1,400	1,600
Construction	105,200	107,200	104,900	110,100	115,200
Manufacturing	100,400	101,300	96,000	96,100	99,600
Wholesale Trade	66,100	67,700	65,600	67,400	69,700
Retail Trade	181,200	180,700	168,800	177,000	180,600
Transportation, Warehousing and Utilities	132,100	146,600	172,500	198,800	214,200
Information	11,400	11,500	9,600	9,700	10,200
Finance and Insurance	25,300	24,800	24,600	24,400	24,600
Real Estate and Rental and Leasing	19,300	20,200	19,500	20,700	22,200
Professional and Business Services	151,400	157,900	154,800	169,400	179,100
Educational and Health Services	239,500	250,300	248,800	254,300	266,400
Leisure and Hospitality	170,600	175,900	141,300	160,200	179,600
Other Services	45,800	46,200	40,200	43,600	47,900
Federal Government	20,700	21,100	22,100	21,100	20,900
State Government	30,600	31,100	31,300	30,400	28,300
Local Government	205,900	209,000	194,600	190,500	200,300
Total All Industries	1,521,100	1,568,100	1,509,900	1,588,800	1,674,200

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
Source: State of California Employment Development Department.

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

CITY OF RIVERSIDE – TEN LARGEST EMPLOYERS
As of June 30, 2022

Employer Name	*Number of Employees*	*% of Total City-wide Employment*
County of Riverside	24,290	20.1%
March Air Force Reserve	9,600	8.0
University of California	8,593	7.1
Kaiser Permanente	5,846	4.8
Riverside Unified School District	5,003	4.1
City of Riverside	2,336	1.9
Riverside Community Hospital	2,200	1.8
Riverside Community College District	2,100	1.7
Alvord Unified School District	1,898	1.6
California Baptist University	1,442	1.1
Total	63,308	52.3%

Source: City of Riverside (as presented in the City's Fiscal Year 2022 audited financial statements).

COUNTY OF RIVERSIDE – LARGEST EMPLOYERS
(LISTED ALPHABETICALLY)
As of March 2023

Employer Name	*Location*	*Industry*
Abbott Vascular Inc	Temecula	Hospital Equipment & Supplies-Mfrs
Agua Caliente Casino Resort Spa	Rancho Mirage	Casinos
Amazon Fulfillment Ctr	Moreno Valley	Mail Order Fulfillment Service
Citrus Club	La Quinta	Clubs
Coachella Valley USD	Thermal	School Districts
Collins Aerospace	Riverside	Aircraft Components-Manufacturers
Corona City Hall	Corona	City Hall
Corona Regional Medical Ctr	Corona	Hospitals
Department-Corrections-Rehab	Norco	State Govt-Correctional Institutions
Desert Regional Medical Ctr	Palm Springs	Hospitals
Eisenhower Health	Rancho Mirage	Hospitals
Fantasy Springs Resort Casino	Indio	Casinos
J Ginger Masonry	Riverside	Masonry Contractors
Kaiser Permanente Riverside MD	Riverside	Hospitals
Riverside Community Hospital	Riverside	Hospitals
Riverside County Public Health	Riverside	Government Offices-County
Riverside University Health	Moreno Valley	Hospitals
Southwest Healthcare System	Murrieta	Hospitals
Spa Resort Casino	Palm Springs	Casinos
Stagecoach Motor Inn	Banning	Hotels & Motels
Starcrest of California	Perris	Internet & Catalog Shopping
Starcrest Products	Perris	Internet & Catalog Shopping
Sun World Intl LLC	Coachella	Fruits & Vegetables-Wholesale

Source: California Employment Development Dept., America's Labor Market Information System (ALMIS) Employer Database, 2023 2nd Edition.

Taxable Retail Sales

The following table provides a summary of taxable retail sales in the City from 2018-2022.

TAXABLE SALES
City of Riverside
2018-2022
(Dollars in Thousands)

Year	*Permits*	*Taxable Transactions*
2018	10,021	$5,783,569
2019	10,257	5,811,062
2020	11,073	5,606,823
2021	10,232	7,073,303
2022	10,556	7,728,472

Source: Taxable Sales in California, California Department of Tax and Fee Administration for 2018-2022.

The following table provides a summary of taxable retail sales in the County from 2018-2022.

TAXABLE SALES
County of Riverside
2018-2022
(Dollars in Thousands)

Year	*Permits*	*Taxable Transactions*
2018	61,433	$38,919,498
2019	64,063	40,626,998
2020	69,284	42,313,474
2021	64,335	55,535,196
2022	66,738	61,908,344

Source: Taxable Sales in California, California Department of Tax and Fee Administration for 2018-2022.

Construction Activity

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

CITY OF RIVERSIDE
BUILDING PERMIT ACTIVITY
For Calendar Years 2018 Through 2022
(Valuation in Thousands of Dollars)

	2018	*2019*	*2020*	*2021*	*2022*
Permit Valuation					
New Single-family	$ 42,412	$ 35,621	$ 76,746	$ 81,057	$ 148,281
New Multi-family	57,047	61,488	20,059	37,332	16,242
Res. Alterations/Additions	10,426	8,154	6,182	4,411	18,212
Total Residential	$ 109,885	$ 105,264	$ 102,988	$ 122,800	$ 182,736
New Commercial/Industrial	$ 96,668	$ 53,083	$ 4,612	$ 0	$ 62,533
New Other	13,055	4,323	17,103	6,537	24,510
Com. Alterations/Additions	63,581	74,407	50,537	3,585	58,343
Total Nonresidential	$ 173,304	$ 131,813	$ 72,251	$ 10,022	$ 145,387
New Dwelling Units					
Single Family	171	163	271	290	579
Multiple Family	504	328	214	367	153
TOTAL	675	491	485	707	732

Source: City of Riverside Community Development Department.

COUNTY OF RIVERSIDE
BUILDING PERMIT ACTIVITY
For Calendar Years 2018 Through 2022
(Valuation in Thousands of Dollars)

	2018	*2019*	*2020*	*2021*	*2022*
Permit Valuation					
New Single-family	$ 2,200,021	$ 1,834,822	$ 2,315,365	$ 2,013,159	$ 2,429,329
New Multi-family	232,707	282,465	93,149	149,081	339,474
Res. Alterations/Additions	125,353	158,118	110,789	100,402	152,309
Total Residential	$ 2,558,081	$ 2,275,405	$ 2,519,303	$ 2,262,642	$ 2,921,113
New Commercial/Industrial	$ 1,233,304	$ 805,908	$ 539,130	$ 792,812	$ 727,504
New Other	410,606	179,861	233,710	460,224	449,357
Com. Alterations/Additions	315,771	300,087	380,938	290,962	524,757
Total Nonresidential	$ 1,959,681	$ 1,285,856	$ 1,153,778	$ 1,543,998	$ 1,701,618
New Dwelling Units					
Single Family	7,540	6,563	8,443	7,360	8,863
Multiple Family	1,628	1,798	723	1,126	2,861
TOTAL	9,168	8,361	9,166	8,486	11,724

Source: Construction Industry Research Board, Building Permit Summary.

Transportation

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

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

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

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

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

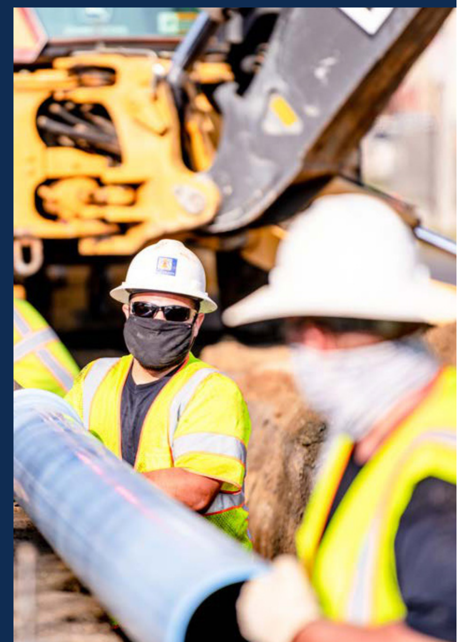
AUDITED FINANCIAL STATEMENTS OF THE CITY OF RIVERSIDE ELECTRIC UTILITY FOR THE FISCAL YEAR ENDED JUNE 30, 2022

The following financial statements include information about the City's Electric System and the City's water utility. The 2023A Bonds are payable solely from the Net Operating Revenues of the City's Electric System as described in the Official Statement and will not be secured by any pledge of water utility revenues.

[THIS PAGE INTENTIONALLY LEFT BLANK]







WATER | ENERGY | LIFE

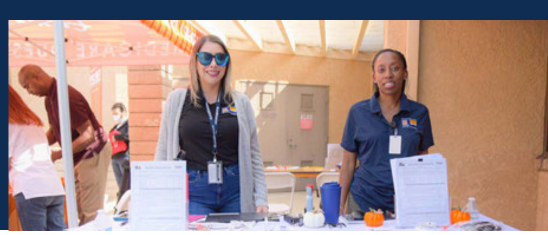
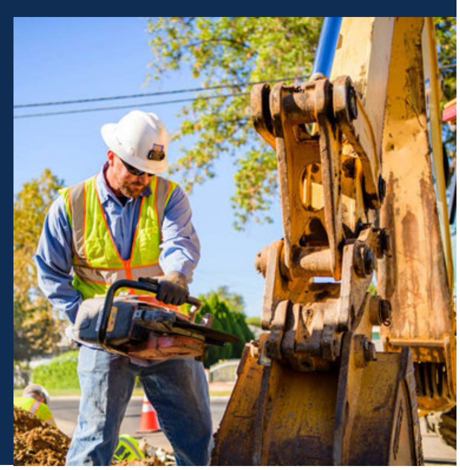
CITY OF RIVERSIDE

PUBLIC UTILITIES

2022 FINANCIAL REPORT

RIVERSIDE PUBLIC UTILITIES



OVERVIEW

Riverside Public Utilities generates, transmits and distributes electricity to a 81.5-square-mile territory that includes the City of Riverside. We also deliver water to a 74.2-square-mile territory covering the majority of the City of Riverside.

The Board of Public Utilities is comprised of nine volunteers who live in all seven wards of the City of Riverside. They are appointed by the City Council to four-year terms without compensation. Board members oversee Riverside Public Utilities' policies, operations, revenues, expenditures, planning, and regulatory compliance. They provide an ongoing, year-round review of all actions by Riverside Public Utilities before any measure is sent to the elected City Council representatives for final determination.

SERVICE AREA POPULATION

317,847

RECORD PEAK DEMAND

Energy: 640 megawatts
8/31/2017

Water: 365 acre feet
119 million gallons
8/9/2005

TOTAL OPERATING REVENUE

Energy: $398.6 million

Water: $80.1 million

CUSTOMERS

Energy: 112,328

Water: 66,372

CREDIT RATING

Energy:	AA-	Fitch
	AA-	S&P Global
Water:	AA+	Fitch
	AA+	S&P Global
	Aa2	Moody's

WATER | ENERGY | LIFE

CITY OF RIVERSIDE

PUBLIC UTILITIES

RiversidePublicUtilities.com

OUR MISSION

The City of Riverside Public Utilities Department is committed to the highest quality water and electric services at the lowest possible rates to benefit the community.

OUR VISION

Our customers will recognize Riverside Public Utilities as a unique community asset with a global reputation for innovation, sustainability and an enhanced quality of life.

OUR CORE VALUES

- Safety
- Honesty and Integrity
- Teamwork
- Professionalism
- Quality Service
- Creativity and Innovation
- Community Involvement
- Environmental Stewardship
- Inclusiveness and Mutual Respect

OUR FOCUS AREAS

RELIABILITY & RESILIENCY
Taking care of our infrastructure, so that it remains safe, and efficient.

AFFORDABILITY
Thriving financially while balancing affordable rates for our customers.

SUSTAINABILITY
Ensuring adequate power and water supply in the most environmentally responsible manner.

CUSTOMER EXPERIENCE
Continuing to provide reliable customer-centered service every day.

OPERATIONAL EXCELLENCE
Implementing new technologies that will enhance the customer experience and ensure the tradition of operational excellence.

STRONG WORKFORCE
Developing and supporting a workforce that is safe, prepared and engaged.

CROSS-CUTTING THREADS

Community Trust – Riverside is transparent and makes decisions based on sound policy, inclusive community engagement, involvement of City Boards & Commissions, and timely and reliable information. Activities and actions by the City serve the public interest, benefit the City's diverse populations, and result in greater public good.

Equity – Riverside is supportive of the City's racial, ethnic, religious, sexual orientation, identity, geographic, and other attributes of diversity and is committed to advancing the fairness of treatment, recognition of rights, and equitable distribution of services to ensure every member of the community has equal access to share in the benefits of community progress.

Fiscal Responsibility – Riverside is a prudent steward of public funds and ensures responsible management of the City's financial resources while providing quality public services to all.

Innovation – Riverside is inventive and timely in meeting the community's changing needs and prepares for the future through collaborative partnerships and adaptive processes.

Sustainability and Resiliency – Riverside is committed to meeting the needs of the present without compromising the needs of the future and ensuring the City's capacity to persevere, adapt and grow during good and difficult times alike.

Per the Operational Workplan, Riverside Public Utilities will carry out Actions to implement the City Council's Strategic Priorities and Goals below.

Community Well-Being

Ensure safe and inclusive neighborhoods where everyone can thrive.

Goal 2.3.	Strengthen neighborhood identities and improve community health and the physical environment through amenities and programs that foster an increased sense of community and enhanced feelings of pride and belonging citywide.
Goal 2.6.	Strengthen community preparedness for emergencies to ensure effective response and recovery.

Economic Opportunity

Champion a thriving, enduring economy that provides opportunity for all.

Goal 3.3.	Cultivate a business climate that welcomes innovation, entrepreneurship and investment.

Environmental Stewardship

Champion proactive and equitable climate solutions based in science to ensure clean air, safe water, a vibrant natural world, and a resilient green new economy for current and future generations.

Goal 4.1.	Rapidly decrease Riverside's carbon footprint by acting urgently to reach a zero-carbon electric grid with the goal of reaching 100% zero-carbon electricity production by 2040 while continuing to ensure safe, reliable and affordable energy for all residents.
Goal 4.2.	Sustainably manage local water resources to maximize reliability and advance water reuse to ensure safe, reliable and affordable water to our community.
Goal 4.3	Implement local and support regional proactive policies and inclusive decision-making processes to deliver environmental justice and ensure that all residents breath healthy and clean air with the goal of having zero days of unhealthy air quality per the South Coast Air Quality District's Air Quality Index (AQI).
Goal 4.5.	Maintain and conserve 30% of Riverside's natural lands in green space including, but not limited to, agricultural lands and urban forests in order to protect and restore Riverside's rich biodiversity and accelerate the natural removal of carbon, furthering our community's climate resilience.
Goal 4.6.	Implement the requisite measures to achieve citywide carbon neutrality no later than 2040.

Infrastructure, Mobility & Connectivity

Ensure safe, reliable infrastructure that benefits the community and facilitates connection between people, place and information.

Goal 6.1.	Provide, expand and ensure equitable access to sustainable modes of transportation that connect people to opportunities such as employment, education, healthcare and community amenities.
Goal 6.2.	Maintain, protect and improve assets and infrastructure within the City's built environment to ensure and enhance reliability, resiliency, sustainability and facilitate connectivity.
Goal 6.3.	Identify and pursue new and unique funding opportunities to develop, operate, maintain and renew infrastructure and programs that meet the community's needs.
Goal 6.4.	Incorporate Smart City strategies into the planning and development of local infrastructure projects.

CITY COUNCIL

Patricia Lock Dawson
Mayor

Erin Edwards
Ward 1

Clarissa Cervantes
Ward 2

Ronaldo Fierro
Ward 3

Chuck Conder
Ward 4

Gaby Plascencia
Ward 5

Jim Perry
Ward 6

Steve Hemenway
Ward 7

BOARD OF PUBLIC UTILITIES

David M. Crohn
(Board Chair)
Ward 1

Rebeccah A. Goldware
(Board Vice Chair)
Ward 2

Nipunjeet Gujral
Ward 3

Gary Montgomery
Ward 4

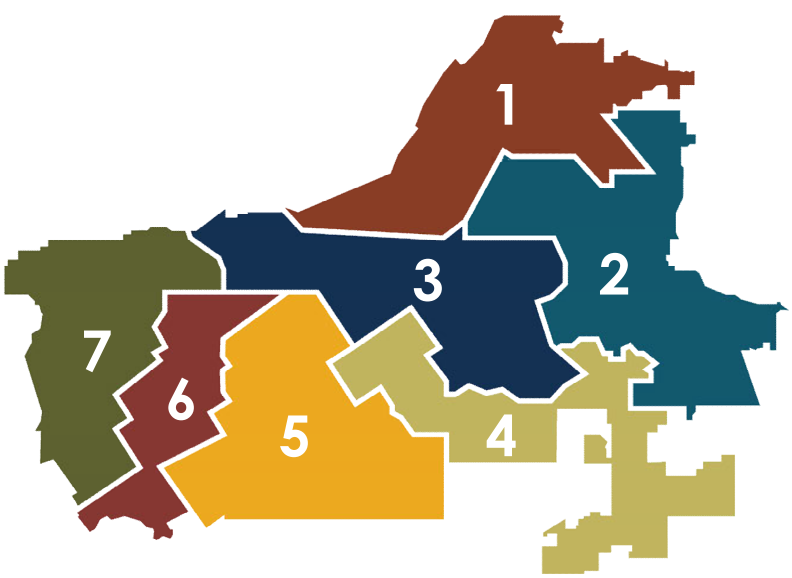
Nancy E. Melendez
Ward 5

Rosemary Heru
Ward 6

Gil Oceguera
Ward 7

Peter Wohlgemuth
Citywide / Ward 1

Vacant
Citywide



EXECUTIVE MANAGEMENT

Michael D. Moore
Interim City Manager

Todd Corbin
Utilities General Manager

Daniel E. Garcia
Utilities Deputy General Manager

Daniel Honeyfield
Utilities Assistant General Manager
Energy Delivery

David A. Garcia
Utilities Assistant General Manager
Water Delivery

Carlie Myers
Utilities Assistant General Manager
Business Systems and
Customer Service

TABLE OF **CONTENTS**

Overview

Our Mission

Values and Goals

Executive Management, City Council and Board of Public Utilities

OUR ELECTRIC

Independent Auditors' Report 9

Management's Discussion and Analysis 12

Financial Statements

- Statements of Net Position 30
- Statements of Revenues, Expenses and Changes in Net Position 32
- Statements of Cash Flows 33

Notes to the Financial Statements 35

- Key Historical Operating Data 72

OUR WATER

Independent Auditors' Report 76

Management's Discussion and Analysis 79

Financial Statements

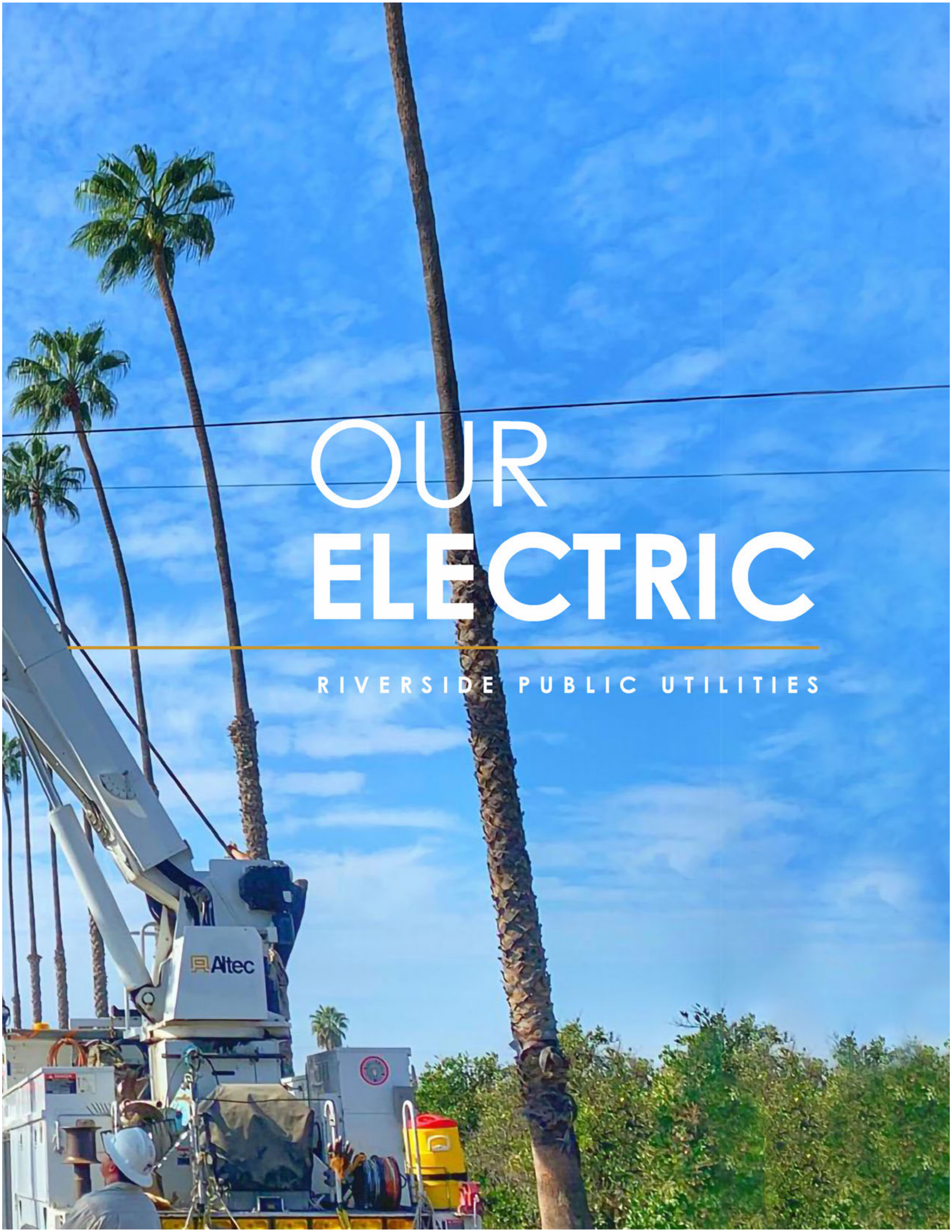
- Statements of Net Position 91
- Statements of Revenues, Expenses and Changes in Net Position 93
- Statements of Cash Flows 94

Notes to the Financial Statements 96

- Key Historical Operating Data 125

OUR ELECTRIC

RIVERSIDE PUBLIC UTILITIES



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Electric Utility Enterprise Fund (Electric Utility) of the City of Riverside, California, (the City) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Electric Utility's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electric Utility Enterprise Fund of the City of Riverside, as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Electric Utility and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Electric Utility Enterprise Fund of the City of Riverside and do not purport to, and do not present fairly the financial position of the City as of June 30, 2022 and 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As described in Note 1 to the financial statements, in the fiscal year ended June 30, 2022, the Electric Utility adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Electric Utility's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Electric Utility's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Electric Utility's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Other Reporting Responsibilities

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of content, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

2WKHU 5HSRUWLQg ReqXLUHG by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Brea, California
January 26, 2023

ELECTRIC UTILITY:
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Riverside Public Utilities, a department of the City of Riverside (the City), we offer the readers this narrative overview and analysis of the 2021/22 financial report for the periods ended June 30, 2022 and 2021 for Riverside's Electric Utility (Electric Utility), an enterprise fund of the City. We encourage readers to consider the information presented here in conjunction with additional information furnished in our financial statements, which begin on page 30 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- Governmental Accounting Standards Board No. 87, *Leases* (GASB 87) - For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to Notes 1, 3, and 14 in the accompanying financial statements.
- Retail sales, net of uncollectibles/recovery were $338,558 and $318,373 for years ended June 30, 2022 and 2021, respectively. The increase in sales was primarily due to rate plan increases, as well as decreased uncollectibles.
- Operating expense reflects a non-cash pension accounting standard adjustment, which will continue to fluctuate based on yearly actuarial information provided by the California Public Employees' Retirement System. The adjustment was $(16,425) and $9,682 at June 30, 2022 and 2021, respectively.
- Operating expense reflects a non-cash other post-employment benefit (OPEB) other than pension accounting standard adjustment, which will continue to fluctuate yearly. The adjustment was $530 and $183 at June 30, 2022 and 2021, respectively.
- The Electric Utility recognized a loss on extraordinary item of $5,748 as of June 30, 2022 due to a material increase in costs related to the San Onofre Nuclear Generating Station (SONGS) Decommissioning project. See Notes 10 and 13 in the accompanying financial statements for additional information.
- Utility plant assets as of June 30, 2022 decreased by $1,675 primarily due to an increase in current year depreciation, offset by additions and improvements to the Electric distribution infrastructure system to improve service and reliability to the Electric Utility's customers.
- Investment income for the year ended June 30, 2022 decreased by $10,826 due to a fair market value adjustment of investments and a slightly lower overall interest rate in the current fiscal year.
- Total net position as of June 30, 2022 increased by $8,190 primarily due positive operating results and capital contributions, offset by a loss on investments and additional requirements for San Onofre Nuclear Generating Station.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Electric Utility's financial statements. The Electric Utility is a department of the City, and its activities are recorded in a separate enterprise fund. These financial statements include only the activities for the Electric Utility and provide comparative information for the last two fiscal years. Information on city-wide financial results is available in the City's "Annual Comprehensive Financial Report" (ACFR).

The Electric Utility's financial statements are comprised of two components: 1) financial statements, and 2) notes to the financial statements. In addition, this report also contains other supplementary information to provide the reader additional information about the Electric Utility, including historical sales, operating activities, and other relevant data.

Included as part of the financial statements are three separate statements, which collectively provide an indication of the Electric Utility's financial health.

The ***Statements of Net Position*** present information on all of the Electric Utility's assets, liabilities, deferred inflows and outflows of resources and net position. The Statements of Net Position provide information about the nature and amount of the Electric Utility's resources and obligations at a specific point in time.

ELECTRIC UTILITY:
MANAGEMENT'S DISCUSSION AND ANALYSIS

The ***Statements of Revenues, Expenses and Changes in Net Position*** report all of the Electric Utility's revenues and expenses for the periods shown.

The ***Statements of Cash Flows*** report the cash provided and used by operating activities, as well as other cash sources, such as investment income and debt financing. They also report other cash uses such as payments for bond principal and capital additions and improvements.

The ***Notes to the Financial Statements*** provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to the Financial Statements can be found on pages 35 to 71 of this report.

CORONAVIRUS DISEASE 2019 (COVID-19)

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) spread to a number of countries, including the United States (U.S.). On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California, declared a state of emergency. Potential impacts to the City's future tax revenues include disruptions or restrictions on current employees' ability to work. Any of the foregoing could negatively impact revenues and the City currently cannot anticipate all of the ways in which this health epidemic, COVID-19, could adversely impact our government agency. Potential impacts will continue to be monitored.

CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT (CARES)

On March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act into law to provide emergency appropriations during the Coronavirus pandemic. The CARES Act represented the third package of assistance from the federal government, providing $2.2 trillion in economic relief to individuals, families, businesses, and nonprofit organizations. Funding for governments was also included through the creation of the Coronavirus Relief Fund (CRF), which allocated $150 billion to various State, local and Tribal governments. The CRF was distributed to State, local and Tribal governments based on relative population. Local governments with a population of 500,000 or more were eligible to receive a direct allocation from the CRF. Given the population threshold, the City was not eligible to receive a direct allocation.

Throughout the COVID-19 pandemic, the Big City Mayors (BCM) met with federal and state elected officials to advocate for much needed assistance. As part of this effort, the BCM engaged the State's legislative leaders and Governor to solicit support for the creation of a dedicated funding opportunity for the seven cities (Long Beach, Oakland, Bakersfield, Anaheim, Santa Ana, Riverside, and Stockton) of the coalition that did not receive a direct allocation from the CRF due to population size. This targeted advocacy effort resulted in the inclusion of a specific $225 million set-aside for these seven cities as part of the State budget with the City of Riverside receiving an allocation of approximately $28 million. The CARES Act spending plan was approved by City Council on August 4, 2020 and on July 13, 2021, a final CARES Act expenditure report was presented to City Council.

AMERICAN RESCUE PLAN ACT (ARPA)

On March 11, 2021, President Biden passed the $1.9 trillion American Rescue Plan Act (ARPA) that is sending checks to families and offering small business support to drive up demand and counter the country's high unemployment. The ARPA established Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund, which provides a combined $350 billion in assistance to eligible state, local, territorial, and Tribal governments to assist in the economic and health recovery by providing resources to address impacts resulting from the crisis. The City received a one-time fund of approximately $73.5 million from ARPA.

STATE FUNDING PROGRAM

The Legislature passed nearly $2 billion in funding to address statewide energy, water, and wastewater utility arrearages. On July 16, 2021, Governor Newsom signed AB 135, which created the California Arrearage Payment Program (CAPP), administered by the California Department of Community Services & Development for funding the Electric Utility customer arrearages. The Electric Utility applied for CAPP assistance on behalf of electric customers who incurred a past due balance of 60 days or more on their energy bill during the COVID-19 pandemic relief period covering March 4, 2020 through June 15, 2021. On December 16, 2021, $11.1 million in CAPP benefits was applied to the Electric Utility electric customer accounts.

As of 2022, the City and the Electric Utility are continuing to monitor and assess the effects of the COVID-19 pandemic on our government agency and the public. The City and the Electric Utility are pursuing all available programs to assist with impacts of the pandemic. For additional information, refer to the City's "Annual Comprehensive Financial Report."

ELECTRIC UTILITY FINANCIAL ANALYSIS

CONDENSED STATEMENTS OF NET POSITION

	2022	2021	2020
Current and other assets	$ 501,765	$ 483,635	$ 523,938
Capital assets	796,227	797,902	790,498
Deferred outflows of resources	24,943	42,782	116,883
Total assets and deferred outflows of resources	1,322,935	1,324,319	1,431,319
Long-term debt outstanding	615,834	639,791	662,290
Other liabilities	148,059	184,848	244,662
Deferred inflows of resources	53,479	2,307	9,482
Total liabilities and deferred inflows of resources	817,372	826,946	916,434
Net investment in capital assets	246,698	237,968	238,847
Restricted	64,422	57,884	54,615
Unrestricted	194,443	201,521	221,423
Total net position	$ 505,563	$ 497,373	$ 514,885

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

2022 compared to 2021 The Electric Utility's total assets and deferred outflows of resources were $1,322,935, reflecting a decrease of $1,384 (0.1%), primarily due to the following:

- Current and other assets, comprised of restricted and unrestricted assets, had a net increase of $18,130, primarily due to an increase of $6,639 in restricted cash and cash equivalents held by the City, an increase of $6,308 in accounts receivable primarily due to COVID-19 impacts, the net pension asset created as a result of GASB 68, and the long-term and short-term receivables created as a result of GASB 87. The net increase was offset by a decrease of $13,122 in unrestricted cash and cash equivalents, and the use of $7,473 in restricted bond proceeds to fund capital projects.
- Capital assets decreased by $1,675 primarily due to current year depreciation of $32,378, offset by an increase of $30,212 in additions and improvements to the Electric distribution infrastructure system to improve service and reliability to the Electric Utility's customers, as well as $628 in right-to-use lease assets offset by amortization of $137. Additional capital asset information can be found in the "Capital Assets and Debt Administration" section.
- Deferred outflows of resources decreased by $17,839 primarily due to a decrease in the fair market value of interest rate swaps. Additional information can be found in the "Interest Rate Swaps on Revenue Bonds" section of Note 4 Long-term Obligation.

2021 compared to 2020 Total assets and deferred outflows of resources were $1,324,319, a net decrease of $107,000 (7.5%). Current and other assets had a net decrease of $40,303, primarily due to the use of $25,217 in restricted bond proceeds to fund capital projects, and an increase of $12,440 in unrestricted cash and cash equivalents primarily due to COVID-19 impacts. The net decrease was offset by an increase of $1,295 in restricted cash and cash equivalents, and an increase of $1,934 in accounts receivable primarily due to COVID-19 impacts. Capital assets increased by $7,404 primarily due to an increase of $41,701 in additions and improvements to the Electric distribution infrastructure system to improve service and reliability to the Electric Utility's customers, offset by $34,299 in current year depreciation. Deferred outflows of resources decreased by $74,101 primarily due to the payment outflow of the 2020 Pension Obligation Bond Series A, of which, the Electric Utility's portion is $66,119. Additionally, there was a decrease in the fair market value of interest rate swaps.

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

2022 compared to 2021 The Electric Utility's total liabilities and deferred inflows of resources were $817,372, a decrease of $9,574 (1.2%), due to the following:

- Long-term debt outstanding decreased by $23,957 primarily due to revenue bond and pension obligation bond principal payments. Additional debt information can be found in the "Capital Assets and Debt Administration" section.
- Other liabilities decreased by $36,789 primarily due to a decrease of $39,233 in net pension liability, and a decrease of $11,063 due to a decrease in the fair market value of interest rate swaps. The decrease was offset by increases of $5,384 in accounts payable, $2,414 in nuclear decommissioning liability, $1,647 in the current portion of long-term obligations, $1,380 in accured interest payable, and $1,345 in unearned revenue due to resource adequacy capacity sales relating to the 2022/23 fiscal year. Additional nuclear decommissioning information can be found in Notes 10 and 13.
- Deferred inflows of resources increased by $51,172 primarily due to pension related adjustments, which included the changes in assumptions, the differences between expected and actual experience and the change in projected versus actual earnings on pension plan investments as determined by the plan actuary, as well as the creation of the deferred inflows related to leases as a result of GASB 87.

2021 compared to 2020 Total liabilities and deferred inflows of resources were $826,946, a decrease of $89,488 (9.8%). Long-term debt outstanding decreased by $22,499 primarily due to revenue bond and pension obligation bond principal payments. Other liabilities decreased by $59,814 primarily due to an increase of $50,559 in net pension liability, and a decrease of $7,483 due to a decrease in the fair market value of interest rate swaps. Deferred inflows of resources decreased by $7,175 primarily due to pension related adjustments, which included the changes in assumptions, the differences between expected and actual experience, and the change in projected versus actual earnings on pension plan investments as determined by the plan actuary.

NET POSITION

2022 compared to 2021 The Electric Utility's net position, which represents the difference between the Electric Utility's total assets and deferred outflows of resources less total liabilities and deferred inflows of resources, totaled $505,563, an increase of $8,190 (1.7%). The following represents the changes in components of net position:

- The largest portion of the Electric Utility's total net position, $246,698 (48.8%), reflects its investment in capital assets less any related outstanding debt used to acquire those assets. Additional capital asset information can be found in the "Capital Assets and Debt Administration" section.
- The restricted portion of net position totaled $64,422 (12.7%), an increase of $6,538, and represents resources that are subject to external restrictions on how they may be used. These are reserved for items such as debt payments, Public Benefit Programs, and other legally restricted assets.
- The unrestricted portion of net position totaled $194,443 (38.5%), a decrease of $7,078 from prior year, which is primarily attributable to a reduction of $10,826 on investments, offset by an increase of $2,608 in capital contributions. Unrestricted net position may be used to meet the Electric Utility's ongoing operational needs and obligations to customers and creditors.

2021 compared to 2020 Total net position decreased by $17,512 (3.4%), to a total of $497,373. The largest portion of the Electric Utility's total net position, $237,968, reflects its investment in capital assets less any related outstanding debt used to acquire those assets. The restricted portion of net position totaled $57,884 and represents resources that are subject to external restrictions on how they may be used. These are reserved for items such as debt payments, Public Benefit Programs, and other legally restricted assets. The unrestricted portion of net position totaled $201,521, a decrease of $19,902 from prior year, which is primarily attributable to a reduction of $13,536 in investment income and $4,433 in capital contributions. Unrestricted net position may be used to meet the Electric Utility's ongoing operational needs and obligations to customers and creditors.

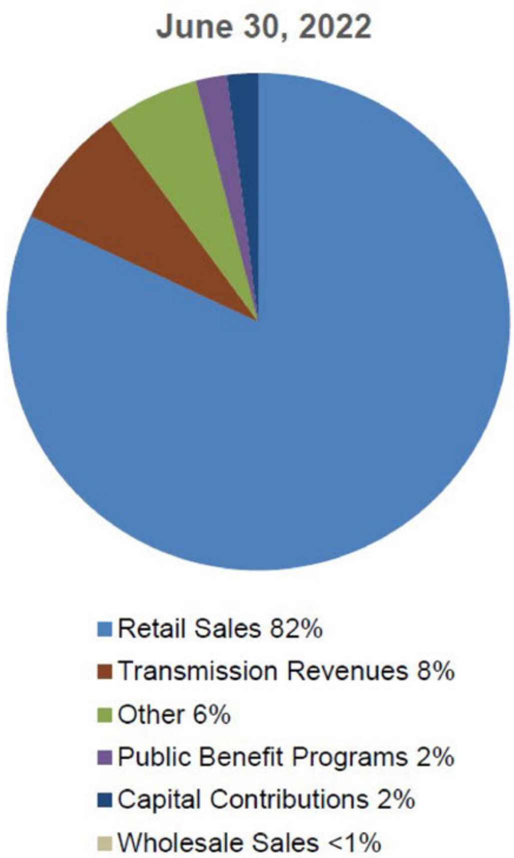
ELECTRIC UTILITY:
MANAGEMENT'S DISCUSSION AND ANALYSIS

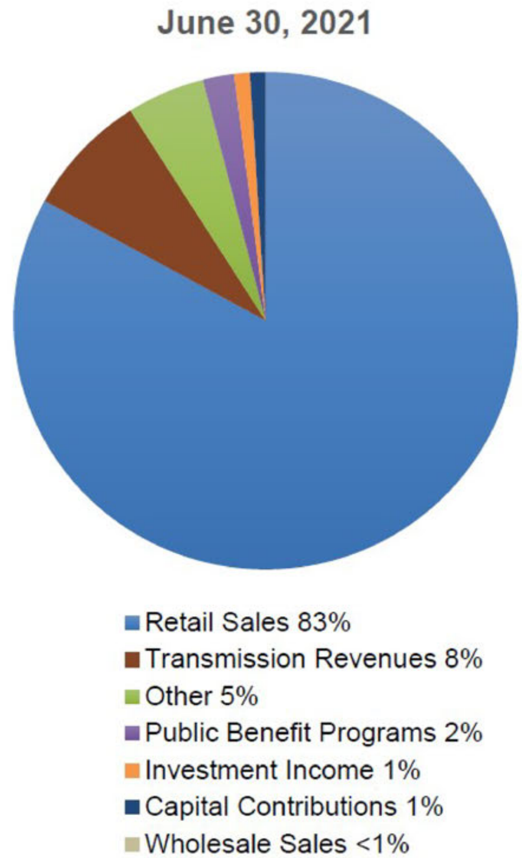
CONDENSED STATEMENTS OF CHANGES IN NET POSITION

	2022	2021	2020
Revenues:			
Retail sales, net	$ 338,558	$ 318,373	$ 308,823
Wholesale sales	89	27	-
Transmission revenue	32,245	32,316	34,817
Investment income	-	496	14,032
Other revenues	25,852	18,995	15,845
Public Benefit Programs	8,978	9,252	9,478
Capital contributions	7,667	5,059	9,492
Total revenues	413,389	384,518	392,487
Expenses:			
Production and purchased power	176,595	163,908	157,540
Transmission	65,996	59,770	58,830
Distribution	39,738	70,479	64,546
Public Benefit Programs	5,467	6,419	6,440
Depreciation	36,718	35,654	35,151
Amortization	134	-	-
Loss on Investments	10,330	-	-
Interest expenses and fiscal charges	25,037	25,901	26,269
Total expenses	360,015	362,131	348,776
Transfers to the City's general fund	(39,436)	(39,899)	(39,558)
Extraordinary item	(5,748)	-	-
Changes in net position	8,190	(17,512)	4,153
Net position, July 1, as previously reported	497,373	514,885	510,732
Net position, June 30	$ 505,563	$ 497,373	$ 514,885

ELECTRIC UTILITY:
MANAGEMENT'S DISCUSSION AND ANALYSIS

REVENUES BY SOURCES





2022 compared to 2021 The Electric Utility's total revenues of $413,389 increased by $28,871 (7.5%) with changes in the following:

- Retail sales (residential, commercial, industrial, and others), net of uncollectibles/recovery, totaled $338,558, a $20,185 (6.3%) increase. Retail sales continue to be the primary revenue source for the Electric Utility. The increase in sales was primarily due to rate plan increases, as well as decreased uncollectibles.

- Other revenues of $25,852 increased by $6,857 (36.1%), primarily due to an increase in cap-and-trade auction proceeds.

- Capital contributions of $7,667 increased by $2,608 (51.6%), mainly due to an increase in donated underground electrical conduit.

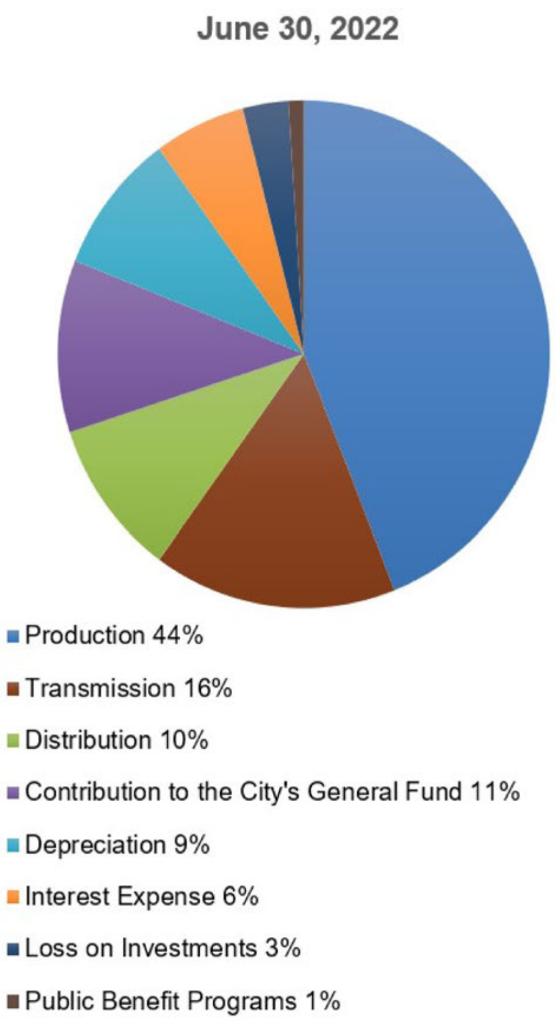
2021 compared to 2020 The Electric Utility's total revenues of $384,518 decreased by $7,969 (2.0%) with changes in the following:

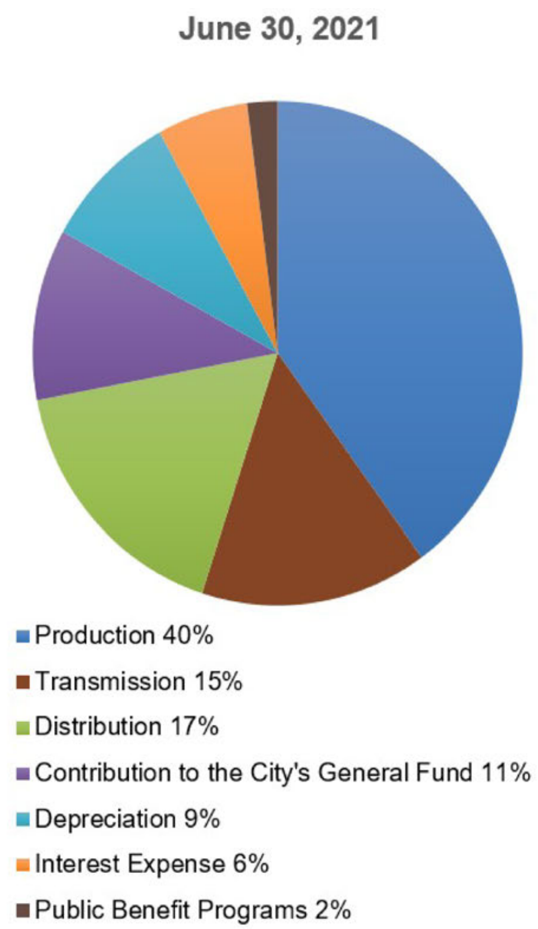
- Retail sales (residential, commercial, industrial, and others), net of uncollectibles/recovery, totaled $318,373, a $9,550 (3.1%) increase. Retail sales continue to be the primary revenue source for the Electric Utility. The increase in sales was primarily due to an increase in residential sales and rate plan increases, offset by a decrease in commercial and industrial sales along with increased uncollectibles.

- Transmission revenues of $32,316 decreased by $2,501 (7.2%) primarily due to a decrease of $1.35 per megawatt hour in the average Transmission Revenue Requirement rate.

- Investment income of $496 decreased by $13,536 (96.5%) due to a fair market value adjustment of investments and a lower overall interest rate in the current fiscal year.
- Other revenues of $18,995 increased by $3,150 (19.9%) primarily due to the sale of nuclear fuel and related decommissioning expenses.
- Capital contributions of $5,059 decreased by $4,433 (46.7%) mainly due to a decrease in donated underground electrical conduit.

EXPENSES BY SOURCES





2022 compared to 2021 The Electric Utility's total expenses, excluding general fund transfer, were $360,015, a decrease of $2,116 (0.6%). The decrease was primarily due to the following:

- Production and purchased power expenses of $176,595 increased by $12,687 (7.7%) primarily due to an increase in the cost of energy.
- Transmission expenses of $65,996 increased by $6,226 (10.4%) mainly due to an increase in Southern California Edison's high voltage rate and an increase in the transmission access charge from the California Independent System Operator (CAISO).

- Distribution expenses of $39,738 decreased by $30,741 (43.6%), mainly due to a non-cash pension adjustment of $(16,425) compared to prior year non-cash pension adjustment of $9,682 as a result of pension accounting standards.
- Depreciation expense of $36,718 increased by $1,064 (3.0%), reflecting the completion of capital projects and their current year depreciation.
- Loss on investments of $10,330 occurred due to a fair market value adjustment of investments and a lower overall interest rate in the current fiscal year.

2021 compared to 2020 The Electric Utility's total expenses, excluding general fund transfer, were $362,131, an increase of $13,355 (3.8%). The increase was primarily due to the following:

- Production and purchased power expenses of $163,908 increased by $6,368 (4.0%) primarily due to an increase in the cost of energy.
- Transmission expenses of $59,770 increased by $940 (1.6%) mainly due to an increase in maintenance costs related to Southern Transmission System.
- Distribution expenses of $70,479 increased by $5,933 (9.2%) mainly due to a non-cash pension adjustment of $9,682 compared to prior year non-cash pension adjustment of $3,364 as a result of pension accounting standards.
- Depreciation expense of $35,654 increased by $503 (1.4%), reflecting the completion of capital projects and their current year depreciation.

TRANSFERS

Pursuant to the City of Riverside Charter, the Electric Utility may transfer up to 11.5 percent of prior year's gross operating revenues, including adjustments, to the City's general fund. The City uses these funds to help provide needed public services to the residents of the City, including police, fire, parks, libraries and other benefits. The Electric Utility transferred $39,436 and $39,899 for 2022 and 2021, respectively, based on the gross operating revenue provisions in the City's Charter. Additional information can be found in Note 12 of the accompanying financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The Electric Utility's investment in capital assets includes investments in production, transmission, and distribution related facilities, land, intangibles, construction in progress, as well as general items such as office equipment, furniture, etc.

The following table summarizes the Electric Utility's capital assets, net of accumulated depreciation, at June 30:

	2022	2021	2020
Utility plant			
Production	$ 148,896	$ 157,370	$ 165,198
Transmission	28,044	27,678	24,569
Distribution	407,181	404,352	396,498
General	65,032	63,689	64,505
Intangibles	10,166	8,639	11,077
Land	53,042	53,042	53,032
Intangibles, non-amortizable	10,651	10,651	10,651
Construction in progress	72,724	72,481	64,968
Total utility plant	795,736	797,902	790,498
Right to use lease assets			
Machinery and equipment	286	-	-
Building	205	-	-
Total right to use lease assets	491	-	-
Total capital assets	$ 796,227	$ 797,902	$ 790,498

2022 compared to 2021 The Electric Utility's investment in capital assets, net of accumulated depreciation, was $796,227, a decrease of $1,675 (0.2%). The decrease resulted primarily from the current year depreciation offset by the following significant capital projects:

- $13,970 in recurring expenditures such as transformer replacements, improvements to the city-wide communications network, distribution line extensions, major overhead/underground conversions, and the Riverside Transmission Reliability Project for additional generation import capability for a second point of interconnection with the State's high voltage transmission grid.
- $6,567 in underground improvements, such as distribution line extensions.
- $4,289 in system automation improvements such as advanced metering infrastructure, and major streetlight projects.
- $2,222 in donated underground electrical conduit, donated street lighting, and donated land rights and easement.
- $491 in right to use lease assets as a result of the implementation of GASB 87.

2021 compared to 2020 Investment in capital assets, net of accumulated depreciation, was $797,902, an increase of $7,404 (2.8%). The increase resulted primarily from $18,362 in recurring expenditures such as transformer replacements, improvements to the city-wide communications network, distribution line extensions, major overhead/underground conversions, and the Riverside Transmission Reliability Project, $9,005 in substation improvements, $7,852 in system automation improvements, and $1,603 in donated underground electrical conduit, donated street lighting, and donated land rights and easement, offset by current year depreciation.

Additional information regarding capital assets can be found in Notes 3 and 14 of the accompanying financial statements.

DEBT ADMINISTRATION

The following table summarizes outstanding long-term debt as of June 30:

	2022	2021	2020
Revenue bonds	$ 524,130	$ 540,165	$ 555,520
Unamortized premium	45,055	47,657	50,265
Financed purchases	364	909	1,444
Pension obligation bonds	67,641	70,951	72,966
Less: Current portion of outstanding debt	(21,356)	(19,891)	(17,905)
Total long-term debt	$ 615,834	$ 639,791	$ 662,290

The Electric Utility's bond indentures require the Electric Utility to maintain a minimum debt service coverage ratio, as defined by the bond covenants, of 1.10. The Electric Utility's debt service coverage ratio was 2.03, 1.99, and 2.62 at June 30, 2022, 2021 and 2020, respectively. This debt is backed by the revenues of the Electric Utility. Debt service coverage ratio increased at June 30, 2022 due to increased operating revenues compared to prior year, offset by loss on investments. For additional information, see Note 4 of the accompanying financial statements and Key Historical Operating Data section.

2022 compared to 2021 The Electric Utility's long-term debt decreased by $23,957 (3.7%) to $615,834 as a result of current year principal payments and amortization of bond premiums.

2021 compared to 2020 Long-term debt decreased by $22,499 (3.4%) to $639,791 as a result of current year principal payments and amortization of bond premiums.

Additional information on the Electric Utility's long-term debt can be found in Note 4 of the accompanying financial statements.

CREDIT RATINGS

The Electric Utility maintains a credit rating of "AA-" from S&P Global Ratings (S&P) and "AA-" from Fitch Ratings (Fitch). These ratings are a result of the Electric Utility's evolving power resource portfolio, which is well positioned to meet California's increasing environmental regulations with an emphasis on renewable energy resources, stable financial performance and strong liquidity levels.

REGULATORY, LEGISLATIVE FACTORS, AND RATES

Utilities are faced with ongoing regulatory and legislative mandates enacted at the federal and state level that will have significant impact on the operations of the Electric Utility.

ASSEMBLY BILL (AB) 32 – GLOBAL WARMING SOLUTIONS ACT OF 2006

AB 32, enacted in 2006, requires that utilities in California reduce their greenhouse gas emissions to 1990 levels by the year 2020. On September 8, 2016, the Governor of California expanded on this bill by approving Senate Bill 32 (SB 32), which requires the state board to ensure that statewide greenhouse gas emissions are reduced to 40% below the 1990 level by 2030.

AB 32 tasked the California Air Resources Board (CARB) to develop regulations for GHG, which became effective January 1, 2012. Emission compliance obligations under the cap-and-trade regulation began on January 1, 2013. The Cap-and-Trade Program (Program) was implemented in phases with the first phase starting from January 1, 2013 to December 31, 2014. This phase placed an emission cap on electricity generators, importers and large industrial sources emitting more than 25,000 metric tons of carbon dioxide-equivalent greenhouse gases per year. In 2015, the program expanded to cover emissions from transportation fuels, natural gas, propane, and other fossil fuels. Since the enactment of AB 32, the Electric Utility has actively participated with major investor-owned utilities and other publicly-owned utilities (POUs) to affect the final rules and regulations with respect to AB 32 implementation.

The Program requires electric utilities to have GHG allowances on an annual basis to offset GHG emissions associated with generating electricity. CARB will provide a free allocation of GHG allowances to each electric utility to mitigate retail rate impacts. If a utility requires additional allowances, then they must be purchased through the auction or on the secondary market to offset its associated GHG emissions. Each allowance can be used for compliance purposes in the current year or carried over for use for future year compliance. The Electric Utility’s free allocation of GHG allowances is expected to be sufficient to meet the Electric Utility’s direct GHG compliance obligations.

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

SENATE BILL (SB) 1368 – EMISSION PERFORMANCE STANDARD

The state legislature passed SB 1368 in 2006, which mandates that electric utilities are prohibited from making long-term financial commitments (commitments greater than five years in duration) for generating resources with capacity factors greater than 60 percent that exceed a GHG emission factor of 1,100 pounds per megawatt hour (lbs./MWh). SB 1368 essentially prohibits any long-term investments in generating resources based on coal. Thus, SB 1368 initially disproportionally impacted Southern California POU’s as these utilities had heavily invested in coal technology. However, additional legislation such as SBX1-2, SB 350, SB 100, and SB 32 have now led to a gradual decrease in the generation of existing coal resources to serve load.

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

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

ASSEMBLY BILL (AB) 2514 - ENERGY STORAGE

AB 2514 “Energy Storage Systems” was signed into law on September 29, 2010. In 2012, AB 2227 amended the reporting timeline of the energy storage targets referenced in AB 2514. The law directs the governing boards of POUs to consider setting targets for energy storage procurement, but emphasizes that any such targets must be consistent with technological viability and cost effectiveness. The law’s main directives for POUs and their respective deadlines are as follows: (a) to open a proceeding by March 1, 2012 to determine appropriate targets, if any, for the utility to procure viable and cost-effective energy storage systems, and (b) to adopt an energy storage system procurement target by October 1, 2014, if determined to be appropriate, to be achieved by the utility by December 31, 2016, and a 2nd target to be achieved by December 31, 2020. POU's were required to submit compliance reports to the CEC of their first adopted target by January 1, 2017.

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

On February 17, 2012, as per the statute, the City of Riverside's Board of Public Utilities opened a proceeding to investigate the various energy storage technologies available and determine if the City should adopt a 2016 energy storage procurement target. The City finished its investigation of energy storage pricing and benefits in September 2014 and adopted a zero-megawatt target based on the conclusion that the viable applications of energy storage technologies and solutions at the time were not cost effective and outweighed the benefits that it might provide to our electrical system. The City had to reevaluate its assessment by October 1, 2017 and report to the CEC any modifications to its initial target resulting from this reevaluation.

On March 3, 2015, City Council approved the Ice Bear Pilot program for 5 MW. The program is intended to reduce load during peak hours by shifting load to off-peak hours, improve energy efficiency, and demonstrate the City's proactive support of the State's energy storage goals. Additionally, on July 28, 2015, the City Council approved a 20-year power purchase agreement for the City to procure renewable energy from the Antelope DSR Solar Photovoltaic Project that includes a built-in energy storage option for the buyers to exercise during the first fifteen years of operation.

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

On September 11, 2017 and September 26, 2017, after reevaluating its assessment of the first adopted energy storage procurement target of zero megawatts, the Riverside Board and City Council, respectively, approved and adopted the second energy storage procurement target of six megawatts for submittal to the CEC.

SENATE BILL (SB) 380 – MORATORIUM ON NATURAL GAS STORAGE – ALISO CANYON

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

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

On February 9, 2017, pursuant to SB 380, the CPUC opened a three-phase investigation to determine the feasibility of minimizing or eliminating the use of Aliso Canyon. On July 19, 2017, DOGGR issued a press release on their determination, in concurrence with the CPUC, that Aliso Canyon was safe to resume injections up to 28% of the facility's maximum capacity. On that same day, the CEC issued a different press release with a recommendation urging closure of Aliso Canyon in the long-term. On July 31, 2017, SoCalGas resumed injections. Effective July 23, 2019, the CPUC approved the Aliso Canyon Withdrawal Protocol, a protocol describing the process to follow before making a withdrawal from the natural gas storage facility. The protocol was developed with input from the CEC, the CAISO, and LADWP, and enables SoCalGas to withdraw from the Aliso Canyon natural gas storage facility when specific conditions are met related to Low Operational Flow Order (OFO) calculations, Southern California natural gas inventory levels, and/or emergency conditions.

The Electric Utility fulfilled its system reliability without any natural gas delivery issues during multiple heat waves from 2016 through 2020. Going forward, the Electric Utility will continue to monitor workshops and new legislation and regulations that impact the status of Aliso Canyon and its effect on the reliability of our service territory. Senate Bill 380 added Section 715 to the Public Utilities Code, which requires the CPUC to determine the range of Aliso Canyon inventory necessary to ensure safety, reliability, and just and reasonable rates. In the Section 715 Report, the Energy Division of the CPUC recommended that the maximum allowable Aliso Canyon inventory increase from 24.6 to 34 billion cubic feet for summer 2018 and going forward, due to continuing pipeline outages on the SoCalGas system. On May 27, 2020, the CPUC granted SoCalGas permission to withdraw natural gas from Aliso Canyon for cleanup purposes. As of October 7, 2020, the final results of the 114 injection well tests are as follows: 66 wells have completed all required tests and have received final DOGGR approval; 27 wells have been taken out of operation; and 21 wells have been plugged and abandoned.

On November 4, 2021, the CPUC voted to allow SoCalGas to increase the amount of natural gas inventory at the Aliso Canyon Natural Gas Storage Facility from 34 Bcf to 41.16Bcf, to ensure SoCalGas meets minimum reliability needs. On September 23, 2022, the CPUC issued a Ruling that finds based on the investigation analysis, that the Aliso Canyon Natural Gas Storage Facility is needed to maintain the reliability of the natural-gas system and to help stabilize gas and electric rates until other resources are available to serve the Los Angeles Basin. In the same Ruling, the CPUC seeks comments on a Staff Proposal presenting a framework to eliminate the need for Aliso Canyon by increasing non-gas-fired electricity generation and storage, building electrification, and energy efficiency. The proposal quantifies the current need for Aliso Canyon and estimates an annual increase of 1,084 MW of non-gas-fired electric generation capacity to reliably serve all energy demand without the use of Aliso Canyon by 2027. Because natural gas and electricity systems and demands are constantly evolving, this proposal suggests a biennial assessment where staff from the CPUC and CEC update supply and demand information and consider whether gas demand reductions are on track with proposed targets. If not, staff will consider whether those targets should be adjusted. If gas demand is declining on pace to meet or exceed targets, staff would recommend whether the maximum storage inventory at Aliso should be reduced. This process would continue every other year until Aliso Canyon is phased out.

SENATE BILL (SB) 859 – "BUDGET TRAILER BILL" – BIOMASS MANDATE

In the final two days of the 2015-2016 legislative session, a "budget trailer bill" on how to spend cap-and-trade funds was amended to include a biomass procurement mandate for local publicly-owned utilities serving more than 100,000 customers. These utilities would be required to procure their pro-rata share of the statewide obligation of 125 MW based on the ratio of the utility's peak demand to the total statewide peak demand from existing in-state bioenergy projects for at least a five-year term. On September 14, 2016, the Governor of California signed SB 859 into law.

On October 13, 2016, the CPUC adopted Resolution E-4805, which established that the POUs be allocated 29 MW of the 125 MW statewide mandate. The City determined that their obligated share would be 1.3 MW to meet the mandate. It is expected that the City's proportion of these facilities will be counted towards the Electric Utility's Renewable Portfolio Standard (RPS) goals.

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

In January 2018, the Riverside Board and City Council approved the City's five-year Power Sales Agreement with SCPPA for 0.8 MW from the ARP-Loyalton biomass project. On April 20, 2018, the facility declared commercial operation.

On September 21, 2018, the Governor signed into law SB 901, which primarily focuses on strengthening California's ability to prevent and recover from catastrophic wildfires such as via forest management activities, updating requirements for maintenance and operations of utility infrastructure, assessing GHG emissions impact, and protecting ratepayers. The bill also included a clause for certain biomass contracts that were procured or operating in 2018 and set to expire on or before December 31, 2023 to be offered a contract extension. The Electric Utility is required to “seek to amend the contract to include, or seek approval for a new contract that includes, an expiration date 5 years later than the expiration in the contract”. Although there is no enforcement mechanism, the ARP-Loyalton biomass project meets the above criteria and feedstock requirement referenced in SB 901 and SB 859. The Electric Utility had been working with ARP-Loyalton to comply with SB 901, but production generation from the project site ceased in early January 2020. In late February 2020, ARP-Loyalton filed for Chapter 11 bankruptcy. Sale of the project was approved by the court to a new owner on April 30, 2020, but court proceedings are still ongoing to finalize terms and conditions.

On February 24, 2020 and March 17, 2020, Riverside's Board and City Council, respectively, adopted a five-year Purchase Agreement with Roseburg Forest Products Co. for 0.5 MW in capacity to fulfill the remaining MW share of the mandate. On February 16, 2021, Roseburg declared commercial operation.

SENATE BILL (SB) 350 – CLEAN ENERGY AND POLLUTION REDUCTION ACT OF 2015

SB 350, enacted in 2015, consists of a multitude of requirements to meet the Clean Energy and Pollution Reduction Act of 2015. The primary components that affect the Electric Utility are: 1) the increased mandate of the California RPS to 50% by December 31, 2030, 2) doubling of energy efficiency savings by January 1, 2030, and 3) providing for the transformation of the CAISO into a regional organization. In addition, there is a specific integrated resource planning mandate embedded in the bill that applies to the 16 POUs that have an annual electrical demand exceeding 700 GWh over a 3-year average, which includes the Electric Utility.

The bill also requires that an updated RPS Procurement Policy must be approved and adopted before January 1, 2019 and be incorporated into the Electric Utility’s Integrated Resource Plan (IRP). An Updated 2018 Renewable Energy Procurement Policy was adopted by the Board and City Council on September 10, 2018 and October 9, 2018, respectively. In parallel, on or before January 1, 2019, the governing board of the Electric Utility must adopt an IRP and a process for updating the plan at least once every 5 years. The IRP must address specific topics such as energy efficiency and demand response resources, transportation electrification, GHG emissions, energy storage resources, enhance distribution systems and demand-side management, etc. The IRP must be submitted to the CEC for review, of which the CEC will check if the statutory requirements have been met and will adopt guidelines to govern the submission of the IRP information. On August 9, 2017, the CEC adopted the POU IRP Submission and Review Guidelines.

On September 30, 2017, the Governor signed SB 338, which requires that the governing board of local POUs consider as part of the IRP process the role of existing renewable generation, grid operational efficiencies, energy storage, energy efficiency, and distributed energy resources in meeting the energy and reliability needs of each utility during the hours of peak demand. On August 1, 2018, the CEC adopted a Second Edition of the POU IRP Submission and Review Guidelines to include the requirements of SB 338. On October 3, 2018, the CEC adopted an amendment to the second edition guidelines to include the CARB’s GHG emission reduction planning targets for IRPs.

On November 26, 2018 and December 11, 2018, the Board of Public Utilities and City Council, respectively, adopted the Electric Utility’s 2018 Integrated Resource Plan. The IRP and additional submittal requirements were submitted to the CEC on December 18, 2018. In April 2019, the CEC issued their Staff Paper Review of the Electric Utility’s IRP, as well as the CEC Executive Director’s Determination Letter finding the Electric Utility to be consistent with the requirements of SB 350. The adoption of this determination occurred at the CEC Business meeting on August 14, 2019.

The CEC continues to host various workshops on different components of the SB 350 requirement and the Electric Utility has been monitoring its outcome.

ASSEMBLY BILL (AB) 1110 - GREENHOUSE GAS EMISSIONS INTENSITY REPORTING

On September 26, 2016, AB 1110 was signed into law requiring GHG emissions intensity data and unbundled renewable energy credits (RECs) to be included as part of the retail suppliers’ power source disclosure (PSD) report and power content label (PCL) to their customers. GHG emissions intensity factors will need to be provided for all retail electricity products. The inclusion of this new information requirement on the PCL will begin in 2021 for calendar year 2020 data. In addition to still being required to post the PCL on the city website, the bill also reinstated the requirement that the PCL disclosures must be mailed to the customers starting in 2017 for calendar year 2016 data unless customers have opted for electronic notifications. In accordance with this requirement, Riverside reinstated the inclusion of printed disclosures of the PCL with its September 2017 bills to the customers.

In 2017, the CEC began hosting workshops on the GHG emissions disclosure requirements and initiated the rulemaking process of updating their PSD regulations. A pre-rulemaking phase also began that included an implementation proposal on AB 1110. The legislation requires the CEC to adopt guidelines by January 1, 2018. In early 2018, the CEC provided an update to their 2017 pre-rulemaking activities and proposed changes to the regulations and reports, but additional workshops were needed. In March 2019, the last pre-rulemaking workshop was held by the CEC, with the intent to begin the formal rulemaking in May, but was delayed until September 2019. On December 11, 2019, the CEC adopted the updated PSD regulations, which changed the timing of the inclusion of the GHG emissions intensity data to be included in the PCL starting in 2021 for calendar year 2020 data. The adoption of the updated PSD regulations and how the additional GHG emissions intensity information would be conveyed to customers in the PSD report and PCL was approved on May 4, 2020. The most notable changes to the report and label are the addition of the GHG emissions intensity and how certain energy resources would be conveyed to the customers to meet the AB 1110 requirement. Riverside continues to monitor the workshops and draft regulations for any impacts to the utility's reporting and resources in meeting this requirement.

ASSEMBLY BILL (AB) 398 – GHG CAP-AND-TRADE PROGRAM EXTENSION

AB 398 was signed on July 25, 2017 and approved extending the GHG cap-and-trade program to December 31, 2030, which was originally implemented under AB 32. This bill was also a companion bill to AB 617 as part of a legislative package that will be discussed further below. In addition, AB 398 required the CARB to update their scoping plan no later than January 1, 2018. AB 398 also requires all adopted GHG rules and regulations to be consistent with this plan. On July 27, 2017, the CARB approved the 2016 Cap-and-Trade Amendments, which includes the Electric Utility's 2021-2030 allowance allocations it will receive each year. The Electric Utility's allowance allocations should be sufficient to cover all of its 2021- 2030 direct compliance obligations.

Initially, it was unclear under AB 398 whether the Electric Utility would be required to consign 100% of its allowances to the market and then purchase allowances to fulfill its compliance obligations. Since the start of the Cap-and-Trade program in 2012, POUs have been able to directly assign allowances for compliance. However, in 2017, the CARB announced they were reconsidering this provision. In early 2018, after much discussion and collaboration with the CARB in which the POUs demonstrated that they continue to include the price of GHG emissions in the cost of energy, it was agreed that the POUs would not be forced to consign their allocated direct-compliance allowances to auction. Other unknown components of the law include the banking provisions and the specific GHG revenue spending requirement for revenues generated from the sale of excess allowances.

In June 2021, the CARB began focus area discussion workshops as part of the next iteration of the Scoping Plan Update on four areas: 1) electricity sector, 2) transportation sector, 3) equity and environmental justice, and 4) natural and working lands. On June 8, 2021, the CARB hosted a workshop series to commence development of the 2022 Scoping Plan Update to Achieve Carbon Neutrality by 2045. Starting in July 2021 and onward, a series of technical workshops have or will be hosted to cover various topics and sectors within the Scoping Plan. The most notable impacts to the Electric Utility are the proposed scenarios to achieving carbon neutrality either by moving it up to 2035 or leaving it at 2045, but with restrictions on what resources would qualify as carbon neutral and how it would be accomplished. The CARB indicated that cap-and-trade will not be the focus of the Scoping Plan Update, but details for implementation and/or regulatory changes would occur after the Scoping Plan Update is completed.

The CARB will be hosting more workshops and plans to issue the final Scoping Plan in Fall 2022 with an adoption by Winter 2022. It is expected that the CARB will be issuing the next iteration of regulation changes for cap-and-trade soon thereafter. The Electric Utility will continue to monitor the outcome and impacts of the upcoming regulations on its service territory and ratepayers.

ASSEMBLY BILL (AB) 617 – AIR QUALITY MONITORING

AB 617 was signed on July 26, 2017 and was part of a legislative bill package with AB 398, which authorized the extension of the Cap-and-Trade Program in the State. AB 617 addresses the disproportionate impacts of air pollution in areas impacted by a combination of economic, health, and environmental burdens. These burdens include combinations of poverty, high unemployment, health conditions such as asthma and heart disease, air and water pollution, and hazardous wastes. Both the CARB and local air districts are required to take specific actions to reduce air pollution and toxic air contaminants from commercial and industrial sources, including from electricity-generating facilities. The bill required the CARB, by October 1, 2018, to prepare a statewide monitoring plan regarding technologies and reasons for monitoring air quality and, based on that plan, identify the highest priority locations for the deployment of community level air monitoring systems. Local air districts are required to deploy the air monitoring systems in the specified communities by July 1, 2019. Additional locations for the deployment of the systems will be identified annually by the CARB beginning January 1, 2020. The CARB is also required to provide grants to community-based organizations for technical assistance and to support community participation in the programs. In turn, this effort would require the local air district of the selected community to adopt a community emissions reduction program.

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

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

ASSEMBLY BILL (AB) 802 – BUILDING ENERGY USE BENCHMARKING AND PUBLIC DISCLOSURE PROGRAM

On October 8, 2015, AB 802 was signed into law creating a new statewide building energy use benchmarking and public disclosure program for the State of California. The bill requires California utilities to maintain records of energy usage data for all buildings (i.e., commercial and multifamily buildings over 50,000 square feet gross floor area) for at least the most recent 12 months. Beginning January 1, 2017, utilities are required to deliver or provide aggregated energy usage data for a covered building, as defined, to the owner, owner's agent or operator upon written request. The Electric Utility provides consumption data for buildings meeting the legislative requirement upon owners' written request. The CEC adopted regulations on October 11, 2017 and approved the regulation action to be effective on March 1, 2018. Building owners are required to report this information annually beginning on June 1, 2018.

SENATE BILL (SB) 100 – THE 100 PERCENT CLEAN ENERGY ACT OF 2018

On September 10, 2018, the Governor signed into law the 100 Percent Clean Energy Act of 2018 (SB 100). This bill further increases the RPS goals of SBX1-2 and SB 350, while maintaining the 33% RPS target by December 31, 2020, but modifying the future RPS percentages to be 44% by December 31, 2024, 52% by December 31, 2027, and 60% by December 31, 2030. The current end goal of SB 100 is to have 100% of the state's retail electricity supply generated from a mix of RPS-eligible and zero-carbon resources by December 31, 2045.

The CEC is required to establish appropriate multi-year compliance periods for all subsequent years after 2030 that will require POUs to procure not less than 60% of retail sales from renewable resources. In September 2019, the CEC began conducting pre-rulemaking workshops to discuss potential amendments to the RPS Enforcement Procedures for POUs that would incorporate the SB 100 mandates. In addition, POUs will need to include the increased requirements in their future IRP. On December 1, 2020, the CEC released the 3rd 15-day language for the RPS Enforcement Procedures for POUs and adopted it at the December 22, 2020 CEC Business Meeting. It was approved by the Office of Administrative Law (OAL) and made effective July 12, 2021. The updated procedures clarify the interim targets for each year and that compliance periods beginning on and after January 1, 2031, shall be three years in length starting on January 1 and ending on December 31. For each compliance period beginning on or after January 1, 2031, a POU shall demonstrate it has procured electricity products within the compliance period sufficient to meet or exceed an average of 60.00 percent of the POU's retail sales over the three calendar years of the compliance period.

On December 4, 2020, the CEC issued a draft SB 100 Joint Agency Report, presented by the CEC with the CARB and CPUC. The joint agency report is intended to inform policy and planning, which is required to be presented to the legislature every four years starting on January 1, 2021. The final report was published by the CEC and joint agencies on March 15, 2021. Riverside will continue to monitor the outcome and impacts of any upcoming workshops and regulations in meeting the new requirements.

SENATE BILL (SB) 1028, SB 901 AND ASSEMBLY BILL (AB) 1054 – LEGISLATION RELATING TO WILDFIRES

On September 24, 2016, Governor Brown signed into law SB 1028, which requires each POU, IOU and electric cooperative to construct, maintain, and operate its electrical lines and equipment in a manner that will minimize the risk of catastrophic wildfire posed by those electrical lines and equipment.

SB 901, which was passed at the end of the 2017-2018 biennium session of the California State Legislature and signed by the Governor on September 21, 2018, is meant to address the Governor's and legislative leaders' desire to address response, mitigation, and prevention of wildfires. SB 901 requires the Electric Utility to prepare before January 1, 2020 and annually thereafter, a wildfire mitigation plan (WMP) that includes specified information and elements. The Electric Utility must present its WMP in an appropriately noticed public meeting and accept comments on the plan from the public, other local and state agencies, and interested parties, and to verify that the plan complies with all applicable rules, regulations, and standards, as appropriate. In addition, the Electric Utility must contract with a qualified independent evaluator to review and assess the comprehensiveness of its plan. The report of the independent evaluator must be made available on the Electric Utility’s website and presented at the local governing board’s public meeting.

On July 12, 2019, the Governor signed into law AB 1054 and AB 111, which establishes the California Wildfire Safety Advisory Board (WSAB), adds an additional process requirement for review of wildfire mitigation plans, and establishes a wildfire fund. In addition to the Electric Utility presenting its WMP to its local governing board by January 1, 2020, the Electric Utility must submit it to the new advisory board by July 1, 2020 and provide annual updates each year thereafter. Additionally, the Electric Utility is required to submit a comprehensive WMP at least once every three years.

The City fully complied with AB 1054 and the City Council formally adopted the Wildfire Mitigation Plan on December 17, 2019. Following City Council adoption, this approved plan was also submitted to the WSAB on May 6, 2020, as required.

On December 9, 2020, the WSAB completed their review of all publicly-owned utilities' initial WMPs and issued an advisory opinion applicable to all POUs. It identified several themes that all POUs were requested to address and were not required to incorporate the recommendations as part of the next annual WMP update. Instead, POUs were asked to respond to a matrix of questions to be submitted at the same time as the next update of the WMP. The matrix is not required to be presented to the public utilities' governing boards.

On June 14, 2021, the Electric Utility presented the updated 2021 WMP to its Board and received a recommendation that the City Council approve the 2021 Riverside Public Utilities WMP annual update for submittal to the WSAB by July 1, 2021. During the Board meeting, staff identified updates to the WMP that would allow the Electric Utility to better respond to the WSAB's advisory opinion that had not been incorporated into the WMP. Instead of bringing it before the City Council for approval as is, staff opted to remove the item from consideration in order to provide an updated 2021 Riverside Public Utilities WMP to the Riverside Board for approval again. The update to the 2021 Riverside Public Utilities WMP was approved on September 27, 2021 and October 12, 2021 by the Riverside Board and City Council, respectively.

For the wildfire fund, only voluntarily participating IOUs are eligible for claims arising from a covered wildfire. The POUs are not required nor able to join due to concerns and issues over complications of funding as a public entity. The bills do not address existing legal doctrine relating to utilities’ liability for wildfires. However, any future legislation that addresses California’s inverse condemnation and strict liability issues for utilities in the context of wildfires could be significant for the Electric Utility. Riverside is regularly engaged with the current WSAB meetings and updates, continues to partner with the Riverside Fire Department and diligently monitor the outcome and impacts of any upcoming legislation and regulations on its service territory and ratepayers. Riverside’s annual WMP update was filed on July 1, 2022.

FIVE-YEAR ELECTRIC RATE PLAN

On May 22, 2018, the City Council approved a five-year Electric Rate Plan, which includes system average annual rate increases. The first annual rate increase was effective January 1, 2019 with the following four years effective on January 1 of each year. The approved five-year Electric Rate Plan includes annual reviews of the adopted rates by City Council. The system average rate increase effective January 1, 2019 was 2.95%, followed by system average rate increases of 3.0% in years two through five. Due to the unprecedented Local Emergency due to COVID-19, the City Council delayed the implementation of the third year of the Electric Rate Plan originally effective January 1, 2021 until July 1, 2021. The Electric Rate Plan included the introduction of electric rate components over a five-year period to better align with its cost of serving customers and its revenue requirement. The Electric Rate Plan was designed to provide financial stability and correct the imbalance of costs versus revenue recovery by increasing fixed cost recovery through monthly service charges and a new network access charge to reflect the nature of underlying costs. Pursuant to City Council direction, the first annual review of rates was conducted in February 2020 and an annual review of rates will be conducted in January of each year thereafter. RPU has commenced a new Electric Cost of Service Analysis and Rate Design with anticipation of developing a new proposed five-year Electric Rate Plan, which includes system average annual rate increases.

ECONOMIC DEVELOPMENT AND GREEN INITIATIVES

The City of Riverside has a long history of valuing sustainability and ensuring economic development. Recent efforts for sustainability began in 2001 when the City began using light-emitting diodes in all City traffic signals to reduce electricity usage. Today, the City remains committed to environmental issues and serves as a state leader in sustainability.

ELECTRIC UTILITY:
MANAGEMENT'S DISCUSSION AND ANALYSIS

The City's first sustainability policy statement was adopted in 2007 and ultimately led to the adoption of three Green Action Plans, the most recent in 2012. Most recently, the City adopted the Envision Riverside 2025 Strategic Plan in October 2020. This plan incorporates sustainability throughout as a cross cutting value and environmental stewardship as one of six priority areas for the City. Additional adopted policies can be found in the City's General Plan 2025 (2007), the Environmentally Preferable Purchasing Policy (2009), the Food and Agriculture Policy Action Plan (2015) and the Riverside Restorative Growthprint (2016).

The City hosts community-wide Green Riverside Leadership Summits. Since 2012, summits have been held every 2 to 3 years. Events in 2012 and 2019 were in partnership with the University of California Riverside. Events in 2014 and 2016 were conducted as part of the community-led Riverside Green Festival and Summit.

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

The Utility hosted its inaugural community Earth Day celebration in 2022. The day provided customers with information and tips on energy efficiency and water conservation best practice. There were electric vehicle demonstrations and experts on hand to advise on how to incorporate native plants in local landscapes.

The Electric Utility supports the local economy by offering some of the lowest commercial electric rates in Southern California combined with attractive economic development electric discount rates to qualified new and expanded load customers. These rate programs have helped create and retain over 3,600 jobs in the City since 2010. In late 2021, the Utility relaunched the commercial energy audit program, which provides Key Account customers with a comprehensive energy efficiency plan, a priority list of recommended energy efficiency measures, an estimated return on investment and applicable utility incentives. To date, several key customers have utilized this program, resulting in approximately 700,000 kWh annual savings this year. More audits are planned over the coming months.

Beyond rate incentives, the Electric Utility also offers local businesses a comprehensive assortment of water and energy efficiency programs to improve building efficiency and reduce customer electric consumption. Fiscal year 2021/22 commercial energy efficiency programs saved a total of 4.2 million kWh.

All of these efforts support organizations and companies in meeting their sustainability goals. Most recently, the State of California's Air Resources Board relocated their Southern California headquarters to the City of Riverside. The campus opened in 2021 and is one of the largest and most advanced vehicle emissions testing and research facilities in the world. Additionally, the headquarters are LEED Platinum, the highest level awarded by the U.S. Green Building Council for the overall sustainability and energy efficiency of a building. It is the single largest net-zero energy structure in the nation, in terms of square footage and load. (That means it will produce as much energy as it uses.)

The City initiated an ambitious LED streetlight replacement program in 2016. The program will eventually replace all city-owned streetlights by 2026, resulting in approximately 10 million kWh saved annually along with substantially reduced maintenance costs. Additionally, the Utility's Energy, Water and Custom Energy technology grant programs continue to encourage local higher education institutions and business electric customers to submit proposals for potential grant funding for important research projects that explore new and innovative ways to advance energy technology.

These economic development and sustainability projects and programs put the Electric Utility on the cutting edge of job creation and resource efficiency, making the City a better place to live and do business.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Electric Utility's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Assistant General Manager – Business Systems and Customer Service, Riverside Public Utilities, 3750 University Avenue, 3rd floor, Riverside, CA 92501. Additional financial information can also be obtained by visiting www.RiversidePublicUtilities.com.

ELECTRIC UTILITY:
FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	June 30, 2022 (in thousands)	June 30, 2021
NON-CURRENT ASSETS:		
Capital assets:		
Utility plant, net of accumulated depreciation (Note 3)	$ 795,736	$ 797,902
Right to use assets, net of amortization (Note 3)	491	-
Total capital assets	796,227	797,902
Restricted assets:		
Cash and investments at fiscal agent (Note 2)	53,785	59,949
Cash and cash equivalents at fiscal agent (Note 2)	-	7,668
Total non-current restricted assets	53,785	67,617
Other non-current assets:		
Advances to other funds of the City	2,454	2,925
Lease receivable (Note 14)	7,099	-
Unamortized purchase power (Note 11)	12,317	12,971
Regulatory assets	1,665	1,757
Net pension asset (Note 6)	26,219	-
Total other non-current assets	49,754	17,653
Total non-current assets	899,766	883,172
CURRENT ASSETS:		
Unrestricted assets:		
Cash and cash equivalents (Note 2)	274,172	287,294
Accounts receivable, less allowance for doubtful accounts 2022 ($2,996); 2021 ($6,169)	50,093	43,785
Accrued interest receivable	663	586
Lease receivable (Note 14)	990	-
Inventory	485	971
Prepaid expenses	6,127	6,964
Unamortized purchase power (Note 11)	653	644
Total unrestricted current assets	333,183	340,244
Restricted assets:		
Cash and cash equivalents (Note 2)	38,526	35,493
Public Benefit Programs - cash and cash equivalents (Note 2)	25,032	21,426
Public Benefit Programs receivable	1,485	1,202
Total restricted current assets	65,043	58,121
Total current assets:	398,226	398,365
Total assets	1,297,992	1,281,537
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows related to pension (Note 6)	9,168	15,820
Deferred outflows related to other postemployment benefits (Note 7)	1,805	2,167
Changes in derivative values	5,924	16,228
Loss on refunding	8,046	8,567
Total deferred outflows of resources	24,943	42,782
Total assets and deferred outflows of resources	$ 1,322,935	$ 1,324,319

See accompanying notes to financial statements

ELECTRIC UTILITY:
FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	June 30, 2022 (in thousands)	June 30, 2021 (in thousands)
NET POSITION:		
Net investment in capital assets	$ 246,698	$ 237,968
Restricted for:		
Regulatory requirements(Note 8)	19,598	16,923
Debt service (Note 8)	18,967	18,615
Public Benefit Programs	25,857	22,346
Unrestricted	194,443	201,521
Total net position	505,563	497,373
LONG-TERM OBLIGATIONS, LESS CURRENT PORTION (Note 4)	615,834	639,791
OTHER NON-CURRENT LIABILITIES:		
Compensated absences (Note 5)	2,426	3,389
Net pension liability (Note 6)	-	39,233
Nuclear decommissioning liability (Note 10)	44,497	43,642
Total other postemployment benefits liability (Note 7)	10,460	11,126
Derivative instruments (Note 4)	8,905	19,968
Regulatory liability	4,220	3,461
Lease liability (Note 14)	363	-
Total other non-current liabilities	70,871	120,819
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Accrued interest	5,465	4,085
Public Benefit Programs payable	624	239
Nuclear decommissioning liability (Note 10)	8,813	7,254
Current portion of long-term obligations (Note 4)	20,992	19,345
Total current liabilities payable from restricted assets	35,894	30,923
CURRENT LIABILITIES:		
Accounts payable and other accruals	22,722	18,137
Compensated absences (Note 5)	4,774	3,793
Customer deposits	11,888	10,563
Unearned revenue	1,412	67
Current portion of long-term obligations (Note 4)	364	546
Lease liability (Note 14)	134	-
Total current liabilities	41,294	33,106
Total liabilities	763,893	824,639
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows related to pension (Note 6)	44,089	1,714
Deferred inflows related to other postemployment benefits (Note 7)	1,426	593
Lease related items (Note 14)	7,964	-
Total deferred inflows of resources	53,479	2,307
Total net position, liabilities and deferred inflows of resources	$ 1,322,935	$ 1,324,319

See accompanying notes to financial statements

ELECTRIC UTILITY:
FINANCIAL STATEMENTS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For the Fiscal Years Ended June 30, 2022	2021
	(in thousands)	
OPERATING REVENUES:		
Residential sales	$ 134,403	$ 133,460
Commercial sales	75,899	71,511
Industrial sales	122,684	112,572
Other sales	4,891	4,864
Wholesale sales	89	27
Transmission revenue	32,245	32,316
Other operating revenue	18,758	12,099
Public Benefit Programs	8,978	9,252
Total operating revenues before uncollectibles	397,947	376,101
Estimated uncollectibles, net of bad debt recovery	681	(4,034)
Total operating revenues, net of uncollectibles	398,628	372,067
OPERATING EXPENSES:		
Production and purchased power	176,595	163,908
Transmission	65,996	59,770
Distribution	39,738	70,479
Public Benefit Programs	5,467	6,419
Depreciation	36,718	35,654
Amortization	134	-
Total operating expenses	324,648	336,230
Operating income	73,980	35,837
NON-OPERATING REVENUES (EXPENSES):		
Investment (loss) income	(10,330)	496
Interest expense and fiscal charges	(25,037)	(25,901)
Gain on sale of assets	505	628
Other	6,589	6,268
Total non-operating revenues (expenses)	(28,273)	(18,509)
Income before capital contributions and operating transfers out	45,707	17,328
Capital contributions	7,667	5,059
Transfers out - contributions to the City's general fund	(39,436)	(39,899)
Total capital contributions and transfers out	(31,769)	(34,840)
EXTRAORDINARY ITEM (Note 13):		
San Onofre Nuclear Generating Station additional requirement for plant closure	(5,748)	-
Change in net position	8,190	(17,512)
NET POSITION, BEGINNING OF YEAR	497,373	514,885
NET POSITION, END OF YEAR	$ 505,563	$ 497,373

See accompanying notes to financial statements

ELECTRIC UTILITY:
FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOWS

	For the Fiscal Years Ended June 30, 2022	2021
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	$ 394,707	$ 371,206
Cash paid to suppliers for goods and services	(252,247)	(247,819)
Cash paid to employees for services	(47,823)	(47,562)
Net cash provided/(used) by operating activities	**94,637**	**75,825**
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Cash transfers out	(39,436)	(39,899)
Payment receipt from advances to other funds	471	458
Other receipts from non-operating activities	-	6,268
Proceed from pension obligation bonds issued	(3,310)	(2,015)
Other receipts/(payments) from non-operating revenue	6,463	-
Net cash provided/(used) by non-capital financing activities	**(35,812)**	**(35,188)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(32,361)	(41,453)
Principal paid on capital debt	(16,581)	(15,890)
Interest paid on capital debt	(25,645)	(29,680)
Contributions	5,445	3,456
Proceeds from sales of capital assets	535	628
Lease payments	(126)	-
Net cash provided/(used) by capital and related financing activities	**(68,733)**	**(82,939)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	(10,407)	791
Proceeds from investment securities	6,164	4,201
Net cash provided/(used) by investing activities	**(4,243)**	**4,992**
Net increase/(decrease) in cash and cash equivalents	**(14,151)**	**(37,310)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (including $64,587 and $89,457 at June 30, 2021 and June 30, 2020 respectively, reported in restricted accounts)	351,881	389,191
CASH AND CASH EQUIVALENTS, END OF YEAR (including $63,558 and $64,587 at June 30, 2022 and June 30, 2021 respectively, reported in restricted accounts)	$ 337,730	$ 351,881

See accompanying notes to financial statements

STATEMENT OF CASH FLOWS

	For the Fiscal Years Ended June 30, 2022	2021
	(in thousands)	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	73,980	35,837
Adjustments to reconcile operating income/(loss) net cash provided/(used) by operating activities:		
Depreciation	36,718	35,654
Amortization	134	-
(Increase) decrease in utility billed receivable	(3,908)	(5,118)
(Increase) decrease in utility unbilled receivable	(931)	(1,947)
(Increase) decrease in accounts receivable	(1,487)	5,104
(Increase) decrease in prepaid items	1,482	99
(Increase) decrease in inventory	485	-
(Increase) decrease in intergovernmental receivable	18	27
Increase (decrease) in accounts payable	4,044	(1,183)
Increase (decrease) in accrued payroll	407	4
Increase (decrease) in retainage payable	134	(33)
Increase (decrease) in decommissioning liability	(3,334)	(4,812)
Increase (decrease) in Public Benefit Programs payable	385	(65)
Increase (decrease) in deposits payable	1,325	1,298
Increase (decrease) in unearned revenue	1,345	(6)
Increase (decrease) in compensated absences	18	1,396
Increase (decrease) in Public Benefit Programs compensated absences	-	(76)
Increase (decrease) in net pension liability	(16,425)	9,682
Increase (decrease) in OPEB liability	530	183
Increase (decrease) in Public Benefit Program receivable	(283)	(219)
Total adjustments	**20,657**	**39,988**
Net cash provided/(used) by operating activities	**$ 94,637**	**$ 75,825**
SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Capital contributions - capital assets	$ 2,222	$ 1,603
(Decrease) in fair value of investments	(2,656)	(611)

See accompanying notes to financial statements

ELECTRIC UTILITY:
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Electric Utility exists under, and by virtue of, the City of Riverside (the City) Charter enacted in 1883. The Electric Utility is responsible for the generation, transmission, and distribution of electric power for sale in the City. The accompanying financial statements present only the financial position and the results of operations of the Electric Utility, which is an enterprise fund of the City, and are not intended to present fairly the financial position and results of operations of the City in conformity with generally accepted accounting principles. However, certain disclosures are for the City as a whole, since such information is generally not available for the Electric Utility on a separate fund basis. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

BASIS OF ACCOUNTING

The Electric Utility uses the accrual basis of accounting as required for enterprise funds with accounting principles generally accepted in the United States of America as applicable to governments. The accounting records of the Electric Utility are also substantially in conformity with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). The Electric Utility is not subject to the regulations of the FERC.

The Electric Utility distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Electric Utility are charges to customers for electric sales and services. Operating expenses for the Electric Utility include the cost of electric sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENTS

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement establishes criteria for (1) determining the timing and pattern of liability recognition and a corresponding deferred outflow, (2) requires liability recognition when it is incurred and reasonably estimable, and (3) requires ARO measurement to be based on the best estimate of the current value of outlays expected to be incurred. If an ARO has been incurred but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement is effective for reporting periods beginning after June 15, 2020.

According to *Clearwater Power Plant Asset Purchase and Sale Agreement* dated March 3, 2010, the City of Riverside purchased the Clearwater Power Plant (the "Plant") from the City of Corona to own, operate, and pay all costs related to the Plant and the assets, as set forth in the agreement. On August 26, 2010, Temporary Right of Entry Agreement was made and entered into between the City of Riverside ("Riverside") and the City of Corona ("Corona") in which Corona leased the Corona Clearwater Cogeneration Facility (the "Property") to Riverside for its operation and maintenance of the Property. Riverside is responsible for plant decommissioning and site restoration related to the Plant. The ARO evaluation study to measure the obligation was completed in fiscal year 2019/20. However, since Riverside does not have the final lease agreement with Army Corps to determine the life of the plant, a liability and deferred outflow will not be recorded in fiscal year 2021/22.

GASB Statement No. 87, *Leases* - This Statement defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. It requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases, and establishes a single model for lease accounting. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For more discussion relating to the GASB implementations, see the notes in the City's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022.

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019. The Electric Utility has implemented GASB 87 in this annual report.

ELECTRIC UTILITY:
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during a reporting period. Accordingly, actual results could differ from those estimates.

REVENUE RECOGNITION

The Electric Utility customers are billed monthly. Unbilled electric service charges, including Public Benefit Programs, are recorded at year-end and are included in accounts receivable. Unbilled accounts receivable totaled $17,075 at June 30, 2022, and $16,117 at June 30, 2021.

An allowance for doubtful accounts is maintained for the Electric Utility and miscellaneous accounts receivable. The balance in this account is adjusted at fiscal year-end to approximate the amount anticipated to be uncollectible.

ELECTRIC UTILITY PLANT AND DEPRECIATION

The Electric Utility defines capital assets as assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of one year. Electric Utility plant assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Costs include labor, materials, allocated indirect charges such as engineering, supervision, construction and transportation equipment, retirement plan contributions, and other fringe benefits. Contributed plant assets are recorded at their acquisition values as of the date of contribution. The cost of relatively minor replacements is included in maintenance expense. Intangible assets that cost more than one hundred thousand dollars with useful lives of at least three years are capitalized and are recorded at cost.

Depreciation is provided over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives are as follows:

Production plant	10-40 years
Transmission and distribution plant	20-50 years
General plant and equipment	5-50 years
Intangibles	5-10 years

RESTRICTED ASSETS

Proceeds of revenue bonds yet to be used for capital projects, as well as certain resources set aside for debt service, are classified as restricted assets in the Statements of Net Position because their use is limited by applicable bond covenants. Funds set aside for the nuclear decommissioning and regulatory requirements relating to greenhouse gas allowances are also classified as restricted assets because their use is legally restricted to a specific purpose. Generally, the Electric Utility will first apply restricted resources when expenses are incurred for which both restricted and unrestricted resources are available.

In January 1998, the Electric Utility began collecting a surcharge for Public Benefit Programs on customer utility bills. This surcharge is mandated by state legislation included in Assembly Bill 1890 and is restricted to various socially beneficial programs and services. The programs and services include cost effective demand-side management services to promote energy efficiency and conservation and related education and information; ongoing support and new investments in renewable resource technologies; energy research and development; and programs and services for low-income electric customers. The activity associated with the surcharge for Public Benefit Programs is reflected in the accompanying financial statements on the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows.

CASH AND INVESTMENTS

The Electric Utility's cash and investments, except for funds required to be held by outside fiscal agents under the provisions of bond indentures, which are administered by outside agencies, are invested in the cash and investment pool of the City. The Electric Utility's cash and investments previously held at and administered by Southern California Public Power Authority (SCPPA) were used in entirety during the 19-20 fiscal year to pay for power, transmission, capital and/or operating costs relating to projects in which the Electric Utility was a participant, or other expenditures owed to SCPPA.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND INVESTMENTS (CONTINUED)

The Electric Utility values its cash and investments in accordance with provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, which requires governmental entities to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach or the income approach. Valuation includes a hierarchy of inputs with three distinct levels. Level 1 are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Electric Utility does not value any of its investments using level 3 inputs.

City-wide information concerning cash and investments as of June 30, 2022, including authorized investments, fair value measurement and application, custodial credit risk, credit and interest rate risk for debt securities and concentration of investments, carrying amount and market value of deposits and investments can be found in the notes to the City's financial statements in the City's Annual Comprehensive Financial Report.

CASH AND INVESTMENTS AT FISCAL AGENTS

Cash and investments maintained by fiscal agents are considered restricted by the Electric Utility. A portion is pledged as collateral for payment of principal and interest on outstanding bonds and certain funds are set aside to decommission the Electric Utility's proportionate share of Units 2 and 3 at SONGS.

DESIGNATED CASH RESERVES

The Riverside Public Utilities Cash Reserve Policy establishes several designated cash reserves in the Electric Utility for strategic purposes. Designated reserves are set aside for specific purposes determined by the Board of Public Utilities and City Council. Designated reserves may be held for capital or operating purposes.

Designated cash reserve balances as of June 30, 2022 and 2021 were as follows: Additional Decommissioning Liability Reserve $16,107 and $13,838, Customer Deposits $5,610 and $5,184, Capital Repair and Replacement Reserve $2,488 and $4,650, Electric Reliability Reserve $82,261 and $81,775, Mission Square Improvement Reserve $1,533 and $1,063, and Dark Fiber Reserve $4,942 and $4,319. The combined total for these reserves was $112,941 and $110,829 at June 30, 2022 and 2021, respectively, and is included as a component of unrestricted cash and cash equivalents in the accompanying Statements of Net Position.

ADVANCES TO OTHER FUNDS OF THE CITY

Advances to other funds of the City have been recorded as a result of agreements between the Electric Utility and the City. The balances as of June 30, 2022 and 2021 are $2,454 and $2,925, respectively.

DERIVATIVES

The Electric Utility accounts for derivative instruments using GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). This Statement requires the Electric Utility to report its derivative instruments at fair value. Changes in fair value for effective hedges are to be reported as deferred inflows and outflows of resources on the Statements of Net Position. Changes in fair value of derivative instruments not meeting the criteria for an effective hedge, or that are associated with investments are to be reported in the non-operating revenues section of the Statements of Revenues, Expenses and Changes in Net Position.

The Electric Utility has determined that its interest rate swaps associated with variable rate obligations are derivative instruments under GASB 53. See Note 4 Long-Term Obligations for further discussion related to the Electric Utility's interest rate swaps.

Various transactions permitted in the Electric Utility's Power Resources Risk Management Policies may be considered derivatives, including energy and/or gas transactions for swaps, options, forward arrangements and congestion revenue rights (CRR). GASB 53 allows an exception for the Statements of Net Position deferral hedges that meet the normal purchases and normal sales exception. The Electric Utility has determined that all of its contracts including CRRs fall under the scope of "normal purchases and normal sales" and are exempt from GASB 53.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BOND PREMIUMS AND GAINS/LOSSES ON REFUNDING

Bond premiums and gains/losses on refunding (including gains/losses related to interest rate swap transactions) are deferred and amortized over the term of the new bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums. Gains/losses on refunding are reported as deferred inflows or outflows of resources.

CUSTOMER DEPOSITS

The City holds customer deposits as security for the payment of utility bills and design fee deposits for future construction of electrical facilities. The Electric Utility's portion of these deposits as of June 30, 2022 and 2021 was $11,888 and $10,563, respectively.

COMPENSATED ABSENCES

The accompanying financial statements include accruals for salaries, fringe benefits and compensated absences due to employees at June 30, 2022 and 2021. The Electric Utility treats compensated absences due to employees as an expense and a liability of which a current portion is included in accounts payable and other accruals in the accompanying Statements of Net Position. The amount accrued for compensated absences was $7,200 at June 30, 2022 and $7,182 at June 30, 2021.

Employees receive 10 to 25 vacation days per year based upon length of service. A maximum of two years vacation accrual may be accumulated and unused vacation is paid in cash upon separation.

Employees primarily receive one day of sick leave for each month of employment with unlimited accumulation. Upon retirement or death, certain employees or their estates receive a percentage of unused sick leave paid in a lump sum based on longevity.

INSURANCE PROGRAMS

The Electric Utility participates in a self-insurance program for workers' compensation and general liability coverage that is administered by the City. The Electric Utility pays an amount to the City based on actuarial estimates of the amounts needed to fund prior and current year claims and incidents that have been incurred but not reported. The City maintains property insurance on most City property holdings, including the Utility Plant with a limit of $1 billion and an additional $210 million to cover power generation facilities.

City-wide information concerning risks, insurance policy limits and deductibles and designation of general fund balance for risk for the year ended June 30, 2022 may be found in the notes to the City's financial statements in the City's Annual Comprehensive Financial Report.

Although the ultimate amount of losses incurred through June 30, 2022 is dependent upon future developments, management believes that amounts paid to the City are sufficient to cover such losses. Premiums paid to the City by the Electric Utility, including the Public Benefit Programs, were $656 and $877 for the years ended June 30, 2022 and 2021, respectively. Any losses above the City's reserves would be covered through increased rates charged to the Electric Utility in future years.

EMPLOYEE RETIREMENT PLAN

The City contributes to the California Public Employees Retirement System (CalPERS), an agent multiple employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the City of Riverside California Public Employees' Retirement System plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Further details of employee retirement plan can be found in Note 6.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OPEB refers to the benefits, other than pensions, that the City provides as part of an employee's retirement benefits. The net OPEB liability is defined as the liability of employers contributing to employees for benefits provided through a defined benefit OPEB plan that is administered through a trust. Further details for OPEB can be found in Note 7.

DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

When applicable, the Statements of Net Position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense or expenditure until that time. Deferred outflows of resources consist of changes in derivative values, loss on refunding and deferred outflows related to pension and OPEB, which include pension contributions subsequent to measurement date, difference between actual and actuarial determined contribution, changes in assumptions and net differences between projected and actual earnings on pension plan investments.

Conversely, deferred inflows of resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of deferred inflows related to pension and OPEB, which include changes in assumptions, differences between expected and actual experience, and net differences between projected and actual earnings on pension plan investments.

REGULATORY ASSETS

In accordance with regulatory accounting criteria set forth in GASB Codification (GASB Statement No. 62), enterprise funds that are used to account for rate-regulated activities are permitted to defer certain expenses and revenues that would otherwise be recognized when incurred, provided that the Electric Utility is recovering or expects to recover or refund such amounts in rates charged to its customers. Accordingly, regulatory assets relating to debt issuance costs have been recognized in the Statements of Net Position.

NET POSITION

The Electric Utility's net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources, which is classified into the following three components:

Net investment in capital assets – this component consists of capital assets (net of accumulated depreciation) reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, excluding unspent bond proceeds.

Restricted – this component represents restricted assets less liabilities and deferred inflows related to those assets. Restricted assets are recorded when there are limitations imposed by creditors (such as through debt covenants), contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or through enabling legislation.

Unrestricted – this component consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

CONTRIBUTIONS TO THE CITY'S GENERAL FUND

Pursuant to the City of Riverside Charter, the Electric Utility may transfer up to 11.5 percent of its prior year's gross operating revenues, including adjustments, to the City's general fund. In fiscal years ended June 30, 2022 and 2021, $39,436 and $39,899, respectively, was transferred, representing 11.5 percent. Additional information can be found in Note 12 of the accompanying financial statements.

ELECTRIC UTILITY:
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

For the Statements of Cash Flows, cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less, and all bond construction proceeds available for capital projects held at fiscal agent. Pooled cash and investments in the City's Treasury represent monies in a cash management pool. Such accounts are similar in nature to demand deposits, and are classified as cash equivalents for the purpose of presentation in the Statements of Cash Flows.

BUDGET AND BUDGETARY ACCOUNTING

The Electric Utility presents, and the City Council adopts, a biennial budget. The proposed budget includes estimated expenses and forecasted revenues. The City Council normally adopts the Electric Utility's budget in June biennially via resolution; however, due to the shift from an incremental budget methodology to a priority-based budgeting methodology in fiscal year 22-23, the City adopted a one-year budget for fiscal year 21-22.

RECLASSIFICATIONS

Certain reclassifications have been made to prior year's financial statements to conform with the current year's presentation. Such reclassifications have no effect on the net position or the changes in net position.

LEASES

Leases are defined by the general government as the right to use an underlying asset. As lessee, the Electric Utility recognizes a lease liability and an intangible right-of-use lease asset at the beginning of a lease period unless the lease is considered a short-term lease or transfers ownership of the underlying asset. Right-of-use lease assets are measured based on the net present value of the future lease payments at inception, using the weighted average cost of capital, which approximate the incremental borrowing rate. Re-measurement of a lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability. The Electric Utility calculates the amortization of the discount on the lease liability and report that amount as outflows of resources. Payments are allocated first to accrued interest liability and then to the lease liability. Variable lease payments based on the usage of the underlying assets are not included in the lease liability calculations but are recognized as outflows of resources in the period in which the obligation was incurred. As lessor, the Electric Utility recognizes a lease receivable. The lease receivable is measured using the net present value of future lease payments to be received for the lease term and deferred inflow of receivables at the beginning of the lease term. Periodic amortization of the discount on the receivable are reported as interest revenue for that period. Deferred inflows of resources are recognized as inflows on a straight-line basis over the term of the lease. This recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. Any initial direct costs are reported as an outflow of resources for that period. Re-measurement of lease receivables occur when there are modifications, including but not limited to changes in the contract price, lease term, and adding or removing an underlying asset to the lease agreements. In the case of a partial or full lease termination, the carrying value of the lease receivable and the related deferred inflow of resources will be reduced and will include a gain or loss for the difference. For lease contracts that are short-term, the Electric Utility recognizes short-term lease payments as inflows of resources (revenues) based on the payment provisions of the lease contract. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period. Additional disclosures regarding regulated leases are in Note 14.

NET POSITION RESTATEMENT

Effective July 1, 2021, the Electric Utility adopted GASB's No. 87 – *Leases*, using the facts and circumstances that existed at the beginning of the period of implementation. The standard requires that it is applied retroactively unless it is impractical to do so. Due to the sheer number of leases the Electric Utility considered it impractical to do so. As a result, there was no impact to the Electric Utility's beginning net position upon adoption of the new accounting standard.

NOTE 2. CASH AND INVESTMENTS

Cash and investments at June 30, 2022 and 2021, consist of the following (in thousands):

	June 30, 2022	June 30, 2021
	Fair Value	
Equity interest in City Treasurer's investment pool	$ 337,730	$ 344,213
Cash and investments at fiscal agent	53,785	59,949
Cash and cash equivalents at fiscal agent	-	7,668
Total cash and investments	$ 391,515	$ 411,830

The amounts above are reflected in the accompanying financial statements as:

	June 30, 2022	June 30, 2021
Unrestricted cash and cash equivalents	$ 274,172	$ 287,294
Restricted cash and cash equivalents	63,558	56,919
Restricted cash and investments at fiscal agent	53,785	59,949
Restricted cash and cash equivalents at fiscal agent	-	7,668
Total cash and investments	$ 391,515	$ 411,830

The investment types in the tables below related to the Electric Utility's investments in the City Treasurer's investment pool represent the Electric Utility's prorated share of the investment types in the investment pool and do not represent ownership interests in the individual investments.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

The Electric Utility categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Electric Utility has the following recurring fair value measurements as of June 30, 2022 and 2021:

Investment Type	June 30, 2022 Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments not Subject to Fair Value Hierarchy
Held by fiscal agent					
Money market funds	$ 3,728	$ -	$ -	$ -	$ 3,728
Asset-backed securities	3,503	-	3,503	-	-
Investment contracts	10,761	-	-	-	10,761
US Treasury notes/bonds	18,274	-	18,274	-	-
Federal agency obligations	3,208	-	3,208	-	-
Corp medium term notes	10,745	-	10,745	-	-
Supranational securities	3,566	-	3,566	-	-
City Treasurer's investment pool[1]					
Money market funds	9,369	-	-	-	9,369
Joint powers authority pools	52,571	52,571	-	-	-
Local agency investment fund	39,946	-	-	-	39,946
Mortgage pass-through securities	13,210	-	13,210	-	-
Asset-backed securities	26,715	-	26,715	-	-
US Treasury obligations	76,259	-	76,259	-	-
Federal agency obligations	45,087	-	45,087	-	-
Medium-term corporate notes	59,240	-	59,240	-	-
Supranational securities	13,748	-	13,748	-	-
Neg certificate of deposit	1,585	-	1,585	-	-
Total	$ 391,515	$ 52,571	$ 275,140	$ -	$ 63,804

Investment Type	June 30, 2021 Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments not Subject to Fair Value Hierarchy
Held by fiscal agent					
Money market funds	$ 11,247	$ -	$ -	$ -	$ 11,247
Asset-backed securities	1,174	-	1,174	-	-
Investment contracts	10,761	-	-	-	10,761
Commercial paper	1,000	-	1,000	-	-
US Treasury notes/bonds	28,615	-	28,615	-	-
Federal agency obligations	2,666	-	2,666	-	-
Corp medium term notes	10,121	-	10,121	-	-
Supranational securities	2,033	-	2,033	-	-
City Treasurer's investment pool[1]					
Money market funds	3,307	-	-	-	3,307
Joint powers authority pools	56,862	56,862	-	-	-
Local agency investment fund	62,530	-	-	-	62,530
Mortgage pass-through securities	13,976	-	13,976	-	-
Asset backed securities	10,551	-	10,551	-	-
US Treasury obligations	75,480	-	75,480	-	-
Federal agency obligations	56,066	-	56,066	-	-
Medium-term corporate notes	49,582	-	49,582	-	-
Supranational securities	11,914	-	11,914	-	-
Neg certificate of deposit	3,945	-	3,945	-	-
Total	$ 411,830	$ 56,862	$ 267,123	$ -	$ 87,845

[1]Additional information on investment types, fair value measurement, interest rate risk and credit risk may be found in the notes to the City's financial statements in the City's Annual Comprehensive Financial Report.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Cash and investments distribution by maturities as of June 30, 2022 and 2021 are as follows:

Investment Type	June 30, 2022 Fair Value	Remaining Maturity (in Months) 12 Months or Less	13 to 36 Months	37 to 60 Months	More than 60 Months
Held by fiscal agent					
Money market funds	$ 3,728	$ 3,728	$ -	$ -	$ -
Asset-backed securities	3,503	-	1,401	2,102	-
Investment contracts	10,761	-	-	-	10,761
US Treasury notes/bonds	18,274	5,995	4,938	7,341	-
Federal agency obligations	3,208	2,622	586	-	-
Corp medium term notes	10,745	-	6,665	4,080	-
Supranational securities	3,566	-	1,687	1,879	-
City Treasurer's investment pool[1]					
Money market funds	9,369	9,369	-	-	-
Joint powers authority pools	52,571	52,571	-	-	-
Local agency investment fund	39,946	39,946	-	-	-
Mortgage pass-through securities	13,210	3,683	7,692	1,835	-
Asset-backed securities	26,715	-	14,329	12,386	-
US Treasury obligations	76,259	9,172	37,040	30,047	-
Federal agency obligations	45,087	7,029	28,256	9,802	-
Medium-term corporate notes	59,240	2,716	26,624	29,900	-
Supranational securities	13,748	-	4,774	8,974	-
Neg certificate of deposit	1,585	1,585	-	-	-
Total	$ 391,515	$ 138,416	$ 133,992	$ 108,346	$ 10,761

Investment Type	June 30, 2021 Fair Value	Remaining Maturity (in Months) 12 Months or Less	13 to 36 Months	37 to 60 Months	More than 60 Months
Held by fiscal agent					
Money market funds	$ 11,247	$ 11,247	$ -	$ -	$ -
Asset-backed securities	1,174	-	240	934	-
Investment contracts	10,761	-	-	-	10,761
Commercial paper	1,000	1,000	-	-	-
US Treasury notes/bonds	28,615	12,145	9,334	7,136	-
Federal agency obligations	2,666	-	2,666	-	-
Corp medium term notes	10,121	-	998	9,123	-
Supranational securities	2,033	-	-	2,033	-
City Treasurer's investment pool[1]					
Money market funds	3,307	3,307	-	-	-
Joint powers authority pools	56,862	56,862	-	-	-
Local agency investment fund	62,530	62,530	-	-	-
Mortgage pass-through securities	13,976	4,643	8,588	745	-
Asset backed securities	10,551	-	2,990	7,561	-
US Treasury obligations	75,480	11,512	48,259	15,709	-
Federal agency obligations	56,066	6,393	20,555	29,118	-
Medium-term corporate notes	49,582	7,652	9,396	32,534	-
Supranational securities	11,914	-	-	11,914	-
Neg certificate of deposit	3,945	3,945	-	-	-
Total	$ 411,830	$ 181,236	$ 103,026	$ 116,807	$ 10,761

[1] Additional information on investment types, fair value measurement, interest rate risk and credit risk may be found in the notes to the City's financial statements in the City's Annual Comprehensive Financial Report.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Presented below is the actual rating as of June 30, 2022 and 2021 for each investment type:

Investment Type	June 30, 2022 Fair Value	Ratings as of Year End AAA	AA	A	Unrated
Held by fiscal agent					
Money market funds	$ 3,728	$ 2,787	$ -	$ -	$ 941
Asset-backed securities	3,503	2,869	-	-	634
Investment contracts	10,761	-	-	-	10,761
US Treasury notes/bonds	18,274	18,274	-	-	-
Federal agency obligations	3,208	3,208	-	-	-
Corp medium term notes	10,745	-	2,753	6,657	1,335
Supranational securities	3,566	1,879	-	-	1,687
City Treasurer's investment pool[1]					
Money market funds	9,369	7,305	-	-	2,064
Joint powers authority pools	52,571	-	-	-	52,571
Local agency investment fund	39,946	-	-	-	39,946
Mortgage pass-through securities	13,210	13,210	-	-	-
Asset-backed securities	26,715	21,272	-	-	5,443
US Treasury obligations	76,259	76,259	-	-	-
Federal agency obligations	45,087	45,087	-	-	-
Medium-term corporate notes	59,240	-	21,023	32,327	5,890
Supranational securities	13,748	7,106	-	-	6,642
Neg certificate of deposit	1,585	-	-	1,585	-
Total	$ 391,515	$ 199,256	$ 23,776	$ 40,569	$ 127,914

Investment Type	June 30, 2021 Fair Value	Ratings as of Year End AAA	AA	A	Unrated
Held by fiscal agent					
Money market funds	$ 11,247	$ 3,038	$ -	$ 8,164	$ 45
Asset-backed securities	1,174	1,174	-	-	-
Investment contracts	10,761	-	-	-	10,761
Commercial paper	1,000	-	-	-	1,000
US Treasury notes/bonds	28,615	28,615	-	-	-
Federal agency obligations	2,666	-	2,666	-	-
Corp medium term notes	10,121	-	2,879	6,547	695
Supranational securities	2,033	2,033	-	-	-
City Treasurer's investment pool[1]					
Money market funds	3,307	1,153	-	-	2,154
Joint powers authority pools	56,862	56,862	-	-	-
Local agency investment fund	62,530	-	-	-	62,530
Morgage pass-through securities	13,976	13,976	-	-	-
Asset backed securities	10,551	8,577	-	-	1,974
US Treasury obligations	75,480	75,480	-	-	-
Federal agency obligations	56,066	53,827	-	-	2,239
Medium-term corporate notes	49,582	-	18,008	27,537	4,037
Supranational securities	11,914	8,033	-	-	3,881
Neg certificate of deposit	3,945	-	-	-	3,945
Total	$ 411,830	$ 252,768	$ 23,553	$ 42,248	$ 93,261

[1] Additional information on investment types, fair value measurement, interest rate risk and credit risk may be found in the notes to the City's financial statements in the City's Annual Comprehensive Financial Report.

NOTE 3. CAPITAL ASSETS

The following is a summary of changes in utility plant and right to use assets during the fiscal years ended June 30, 2022 and 2021:

	Balance As of 6/30/2020	Additions	Retirements/ Transfers	Balance As of 6/30/2021	Additions	Retirements/ Transfers	Balance As of 6/30/2022
Production	$ 268,088	$ 1,160	$ -	$ 269,248	$ 566	$ -	$ 269,814
Transmission	45,084	3,995	-	49,079	1,338	-	50,417
Distribution	680,961	26,601	(755)	706,807	22,300	(3,948)	725,159
General	114,519	3,786	(609)	117,696	6,159	(423)	123,432
Intangibles	21,986	-	-	21,986	3,977	-	25,963
Depreciable utility plant	1,130,638	35,542	(1,364)	1,164,816	34,340	(4,371)	1,194,785
Less accumulated depreciation:							
Production	(102,890)	(8,988)	-	(111,878)	(9,040)	-	(120,918)
Transmission	(20,515)	(886)	-	(21,401)	(972)	-	(22,373)
Distribution	(284,463)	(18,740)	748	(302,455)	(19,440)	3,917	(317,978)
General	(50,014)	(4,602)	609	(54,007)	(4,816)	423	(58,400)
Intangibles	(10,909)	(2,438)	-	(13,347)	(2,450)	-	(15,797)
Accumulated depreciation	(468,791)	(35,654)	1,357	(503,088)	(36,718)	4,340	(535,466)
Net depreciable utility plant	661,847	(112)	(7)	661,728	(2,378)	(31)	659,319
Land	53,032	10	-	53,042	-	-	53,042
Intangible, non-amortizable	10,651	-	-	10,651	-	-	10,651
Construction in progress	64,968	41,463	(33,950)	72,481	32,361	(32,118)	72,724
Nondepreciable utility plant	128,651	41,473	(33,950)	136,174	32,361	(32,118)	136,417
Total utility plant	$ 790,498	$ 41,361	$ (33,957)	$ 797,902	$ 29,983	$ (32,149)	$ 795,736
Right to use assets, being amortized:[1]							
Machinery and equipment - intangible	$ -	$ -	$ -	$ -	$ 348	$ -	$ 348
Building - intangible	-	-	-	-	280	-	280
Total right to use assets	-	-	-	-	628	-	628
Less lease accumulated amortization:							
Machinery and equipment - intangible	-	-	-	-	(62)	-	(62)
Building - intangible	-	-	-	-	(75)	-	(75)
Total lease accumulated amortization	-	-	-	-	(137)	-	(137)
Total right to use lease assets, net	$ -	$ -	$ -	$ -	$ 491	$ -	$ 491
Total capital assets being depreciated, net	**$ 790,498**	**$ 41,361**	**$ (33,957)**	**$ 797,902**	**$ 30,474**	**$ (32,149)**	**$ 796,227**

[1] GASB 87 Leases was implemented effective July 1, 2021. For additional information, refer to Notes 1 and 14.

NOTE 4. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations during the fiscal years ended June 30, 2022 and 2021 (in thousands):

	Balance As of 6/30/2020	Additions	Reductions	Balance As of 6/30/2021	Additions	Reductions	Balance As of 6/30/2022	Due Within One Year
Revenue bonds	$ 605,785	$ -	$ (17,963)	$ 587,822	$ -	$ (18,637)	$ 569,185	$ 16,760
Pension obligation bonds	72,966	-	(2,015)	70,951	-	(3,310)	67,641	4,232
Direct borrowings:								
Financed purchases	1,444	-	(535)	909	-	(545)	364	364
Total long-term obligations	$ 680,195	$ -	$ (20,513)	$ 659,682	$ -	$ (22,492)	$ 637,190	$ 21,356

Long-term debt consists of the following (in thousands):

Pension Obligation Bonds Payable

	June 30, 2022	June 30, 2021
$31,960 2017 Taxable Pension Obligation Bonds Series A: fixed rate bonds issued by the City due in annual installments from $2,910 to $3,580 through June 2027, with coupons from 1.3 to 3.1 percent. The Electric Utility's proportional share of the outstanding debt is 29.4 percent.	$ 5,014	$ 5,940
$201,080 2020 Taxable Pension Obligation Bonds Series A (Miscellaneous): fixed rate bonds issued by the City due in annual installments from $1,285 to $14,625 through June 2045, with coupons from 1.6 to 3.9 percent. The Electric Utility's proportional share of the outstanding debt is 32.9 percent.	62,627	65,011
Total pension obligation bonds payable	67,641	70,951

NOTE 4. LONG-TERM OBLIGATIONS (CONTINUED)

Revenue Bonds Payable

	June 30, 2022	June 30, 2021
$141,840 2008 Electric Refunding/Revenue Bonds:		
A - $84,515 2008 Series A Bonds - variable rate bonds due in annual principal installments from $4,575 to $7,835 through October 1, 2029. Interest rate is subject to weekly repricing (net interest rate, including swaps, at June 30, 2022 was 3.0 percent). Partially refunded $13,975 on July 25, 2013 with the 2013 Electric Revenue Refunding Bonds. Partially refunded $31,500 on April 1, 2019 with 2019A Electric Refunding Bonds.	$ 34,465	$ 34,465
C - $57,325 2008 Series C Bonds - variable rate bonds due in annual principal installments from $700 to $5,200 through October 1, 2035. Interest rate is subject to weekly repricing (net interest rate, including swaps, at June 30, 2022 was 3.1 percent). Partially refunded $11,775 on July 25, 2013 with the 2013 Electric Revenue Refunding Bonds. Partially refunded $8,925 on April 1, 2019 with 2019A Electric Refunding Bonds.	32,150	32,150
$133,290 2010 Electric Revenue Series A Bonds: fixed rate, federally taxable Build America Bonds due in annual principal installments from $2,300 to $33,725, through October 1, 2040, interest from 3.9 to 4.9 percent	128,600	130,990
$56,450 2011 Electric Revenue/Refunding Series A Bonds: fixed rate bonds due in annual principal installments from $725 to $5,175 through October 1, 2035, interest of 3.2 percent	35,550	37,450
$79,080 2013 Electric Revenue Refunding Series A Bonds: fixed rate bonds due in annual principal installments from $835 to $2,625 through October 1, 2043, interest from 3.5 to 5.3 percent	36,355	37,275
$283,325 2019 Electric Revenue Refunding Series A Bonds: fixed rate bonds due in annual principal installments from $3,545 to $24,005 through October 1, 2048, interest of 5.0 percent	257,010	267,835
Total electric revenue bonds payable	524,130	540,165
Total electric revenue and pension obligation bonds payable	591,771	611,116
Unamortized bond premium	45,055	47,657
Total electric revenue and pension obligation bonds payable, including bond premium	636,826	658,773
Less current portion of revenue and pension obligation bonds payable	(20,992)	(19,345)
Total long-term electric revenue and pension obligation bonds payable	$ 615,834	$ 639,428

The Electric Utility is obligated to pay its share of the City's pension obligation bonds, which the City issued in 2005 and refinanced a portion in May 2017.

In fiscal year ended June 30, 2020, the City issued $432,165 2020 Taxable Pension Obligation Bonds Series A. The bonds were issued to reduce the City's unfunded pension liability in both the City's Miscellaneous and Safety CalPERS plans. It is estimated the issuance will save the City's General Fund $7.6 million in pension costs in fiscal year 2022 with a projected overall savings of $178.5 million through the life of the bonds. The fixed rate bonds issued by the City are due in annual installments from $1,285 to $14,625 through June 2045, with coupons from 1.6 to 3.9 percent. The Electric Utility's proportional share of the miscellaneous plan is 32.9 percent.

The Electric Utility's proportional share of the outstanding principal amount of the bonds was $67,641 and $70,951 as of June 30, 2022 and 2021, respectively. The bond proceeds were deposited with CalPERS to fund the unfunded actuarial accrued liability for non-safety employees. For more discussion relating to the City's pension obligation bond issuance, see the notes to the City's financial statements in the City's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022.

NOTE 4. LONG-TERM OBLIGATIONS (CONTINUED)

Remaining pension obligation bond debt service payments will be made from revenues of the Electric Fund. Annual debt service requirements to maturity as of June 30, 2022 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2023	$ 4,232	$ 2,132	$ 6,364
2024	5,118	2,044	7,162
2025	5,675	1,930	7,605
2026	5,839	1,797	7,636
2027-2031	16,955	7,067	24,022
2032-2036	15,933	4,546	20,479
2037-2041	12,589	1,611	14,200
2042-2046	1,300	67	1,367
Total	$ 67,641	$ 21,194	$ 88,835

All electric revenue bonds are covenanted per the Amended and Restated Resolution No. 17662 (Electric) Master Resolution that upon the occurrence and continuation of an event of default, the owners of 25% in aggregate amount of Bond Obligation may, by written notice to the City, declare the entire unpaid principal and accreted value of the bonds due and payable should the City fail to pay its debts as they become due or upon the entry of any decree or order of bankruptcy of the City.

Remaining revenue bond debt service payments will be made from revenues of the Electric Fund. Annual debt service requirements to maturity as of June 30, 2022 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2023	$ 16,760	$ 24,174	$ 40,934
2024	17,515	23,362	40,877
2025	18,335	22,488	40,823
2026	12,580	21,580	34,160
2027-2031	111,740	94,522	206,262
2032-2036	130,045	67,788	197,833
2037-2041	172,330	33,900	206,230
2042-2046	29,105	7,310	36,415
2047-2051	15,720	1,205	16,925
Premium	45,055	-	45,055
Total	$ 569,185	$ 296,329	$ 865,514

The Electric Utility has a number of debt issuances (revenue bonds) outstanding that are collateralized by the pledging of electric revenues. The amount and term of the remainder of these commitments are indicated in the revenue bonds payable and annual debt service requirements to maturity tables presented within this Note 4. The purpose of the debt issuances was for the financing of various Electric Utility capital improvement projects. For June 30, 2022 and 2021, debt service payments as a percentage of the pledged gross revenue, net of certain expenses where so required by the debt agreement, are indicated in the table below. The debt service coverage ratios also approximate the relationship of the debt service to pledged revenue for the remainder of the term of the commitment.

Fiscal Year Ended	Description of Pledged Revenues	Annual Amount of Pledged Revenue (net of expenses) [1,2,3]	Annual Debt Service Payments	Debt Service Coverage Ratio
June 30, 2022	Electric revenues	$ 93,639	$ 46,028	2.03
June 30, 2021	Electric revenues	$ 89,371	$ 44,923	1.99

[1]Excludes GASB 68 *Accounting and Financial Reporting for Pension* non-cash adjustments of $(16,425) and $9,682 for June 30, 2022 and 2021, respectively.

[2]Excludes GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions non-cash adjustments of $530 and $183 for June 30, 2022 and 2021, respectively.

[3]Includes GASB 87 Leases net adjustment of $134 for June 30, 2022.

NOTE 4. LONG-TERM OBLIGATIONS (CONTINUED)

LINE OF CREDIT

On February 1, 2019, the City entered into a subordinate line of credit agreement with U.S. Bank, National Association. The Subordinate Line of Credit is a tool approved through the Electric and Water Utility Five-Year Rate Plan to manage rate increases by enabling the Electric Utility to reduce cash levels while maintaining compliance with the Riverside Public Utilities Cash Reserve Policy. Under the terms and conditions of the agreement, the City may borrow up to $35,000 for purposes of the capital or operating financial needs of the Electric System. There were no borrowings against the line as of June 30, 2022.

LETTERS OF CREDIT

The Electric Utility's 2008 Electric Revenue Bonds (Series A and C) and 2011 Electric Revenue Bonds (Series A) require an additional layer of security between the Electric Utility and the purchaser of the bonds. The Electric Utility has entered into the following letters of credit (LOC) in order to provide liquidity should all or a portion of the debt be optionally tendered to the remarketer without being successfully remarketed:

Debt Issue	LOC Provider	LOC Expiration Date	Annual Commitment Fee
2008 Electric Refunding/Revenue Bonds Series A	Barclays Bank, PLC	2024	0.395 %
2008 Electric Refunding/Revenue Bonds Series C	Barclays Bank, PLC	2024	0.395 %
2011 Electric Refunding/Revenue Bonds Series A	Bank of America, N.A.	2023	0.295 %

To the extent that remarketing proceeds are insufficient or not available, tendered amounts will be paid from drawings made under an irrevocable direct-pay letter of credit.

Liquidity advances drawn against the LOCs that are not repaid will be converted to an installment loan with principal to be paid quarterly not to exceed a 5-year period. The Electric Utility would be required to pay annual interest equal to the highest of 8 percent, the Prime Rate plus 2.5 percent, the Federal Funds Rate plus 2.5 percent and 150 percent of the yield on the 30-year U.S. Treasury Bond. No amounts have ever been drawn against the three LOCs due to a failed remarketing.

The various indentures allow the Electric Utility to convert the mode of the debt in the case of a failed remarketing.

INTEREST RATE SWAPS ON REVENUE BONDS

The Electric Utility has three cash flow hedging derivative instruments, which are pay-fixed swaps. These swaps were employed as a hedge against debt that was refunded in 2008 and 2011. At the time of the refunding, hedge accounting ceased to be applied. The balance of the deferral account for each swap is included as part of the deferred loss on refunding associated with the new bonds. The swaps were also employed as a hedge against the new debt. Hedge accounting was applied to that portion of the hedging relationship, which was determined to be effective. The negative fair value of the interest rate swaps related to the new hedging relationship has been recorded and deferred on the Statements of Net Position.

A summary of the derivative activity for the year ended June 30, 2022 is as follows:

	Outstanding Notional Amount	Fair Value as of June 30, 2022	Change in Fair Value for Fiscal Year
2008 Electric Refunding/Revenue Bonds Series A	$ 34,465	$ (1,885)	$ 2,847
2008 Electric Refunding/Revenue Bonds Series C	$ 32,150	$ (3,495)	$ 4,025
2011 Electric Refunding/Revenue Bonds Series A	$ 35,550	$ (3,525)	$ 4,191

Objective: In order to lower borrowing costs as compared to fixed-rate bonds, the Electric Utility entered into interest rate swap agreements in connection with its $141,840 2008 Electric Refunding/Revenue Bonds (Series A and C) and $56,450 2011 (Series A).

NOTE 4. LONG-TERM OBLIGATIONS (CONTINUED)

INTEREST RATE SWAPS ON REVENUE BONDS (CONTINUED)

Terms: Per the existing swap agreements, the Electric Utility pays the counterparty a fixed payment and receives a variable payment computed as 62.68 percent of the London Interbank Offering Rate ("LIBOR") one month index plus 12 basis points. The swaps have notional amounts equal to the principal amounts stated above. The notional value of the swaps and the principal amounts of the associated debt decline by $6,000 to $7,835 (2008 Series A), $700 to $5,200 (2008 Series C) and $725 to $5,175 (2011 Series A) until the debt is completely retired in fiscal years 2030 (2008 Series A) and 2036 (2008 Series C and 2011 Series A).

The bonds and the related swap agreements for the Electric Refunding/Revenue 2008 (Series A) Bonds mature on October 1, 2029 and the 2008 (Series C) and 2011 (Series A) Bonds mature on October 1, 2035. As of June 30, 2022 rates were as follows:

Interest rate swap:	Terms	2008 Electric Refunding/Revenue Series A Bonds Rates	2008 Electric Refunding/Revenue Series C Bonds Rates	2011 Electric Refunding/Revenue Series A Bonds Rates
Fixed payment to counterparty	Fixed	3.11100 %	3.20400 %	3.20100 %
Variable payment from counterparty	62.68 LIBOR + 12bps	(0.56374)%	(0.56412)%	(0.57863)%
Net interest rate swap payments		2.54726 %	2.63988 %	2.62237 %
Variable-rate bond coupon payments		0.46162 %	0.46205 %	0.54311 %
Synthetic interest rate on bonds		3.00887 %	3.10193 %	3.16547 %

Fair value: As of June 30, 2022, in connection with all swap agreements, the transactions had a total negative fair value of $(8,905). Because the coupons on the Electric Utility's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was developed by a pricing service using the zero-coupon method. This method calculates the future net settlement payments required by the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Credit risk: As of June 30, 2022, the Electric Utility was not exposed to credit risk because the swaps had a negative fair value. The swaps counterparties, J.P. Morgan Chase & Co. and Bank of America Corp., were rated A- and BBB+ respectively by Standard & Poor's (S&P). To mitigate the potential for credit risk, the swap agreements require the fair value of the swaps to be collateralized by the counterparty with U.S. Government securities if the counterparties' rating decreases to negotiated trigger points. Collateral would be posted with a third-party custodian. At June 30, 2022, there is no requirement for collateral posting for any of the outstanding swaps.

Basis risk: As noted above, the swaps expose the Electric Utility to basis risk should the relationship between LIBOR and the variable interest rates converge, changing the synthetic rate on the bonds. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized.

Termination risk: The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event." That is, a swap may be terminated by the Electric Utility if either counterparty's credit quality falls below "BBB-" as issued by S&P. The Electric Utility or the counterparty may terminate a swap if the other party fails to perform under the terms of the contract. If a swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination, a swap has a negative fair value, the Electric Utility would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt: As of June 30, 2022, the debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, are summarized in the table below. As rates vary, variable-rate bond interest payments and net swap payments will vary.

NOTE 4. LONG-TERM OBLIGATIONS (CONTINUED)

INTEREST RATE SWAPS ON REVENUE BONDS (CONTINUED)

Fiscal Year Ending June 30,	Variable-Rate Bonds Principal	Interest	Interest Rate Swaps, Net	Total
2023	$ 1,950	$ 542	$ 2,872	$ 5,364
2024	725	535	2,839	4,099
2025	725	530	2,816	4,071
2026	7,450	503	2,658	10,611
2027	7,860	464	2,450	10,774
2028-2032	44,105	1,665	8,701	54,471
2033-2037	39,350	402	2,087	41,839
Total	$ 102,165	$ 4,641	$ 24,423	$ 131,229

DIRECT BORROWINGS

FINANCED PURCHASES

The Electric Utility has entered into sixteen purchase agreements for financing sixteen compressed natural gas heavy duty service trucks. All agreements have seven-year terms of monthly payments with interest rates ranging from 2.0 percent to 2.5 percent. The total gross value of all existing agreements is $5,715 with depreciation over the seven-year terms using the straight-line method. As of June 30, 2022 and 2021, the total liability was $364 and $909, respectively, with the current portion included in current portion of long-term obligations. The remaining annual payment for the life of the agreements is $366 in fiscal year ended June 30, 2023, with $364 representing the present value of the net minimum payment and $2 representing interest.

NOTE 5. COMPENSATED ABSENCES

A liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time-off or payments upon termination or retirement.

Below is a summary of changes in Compensated absences for the Electric Utility during the fiscal year.

	Balance As of 6/30/2020	Additions	Reductions	Balance As of 6/30/2021	Additions	Reductions	Balance As of 6/30/2022	Due Within One Year
Compensated absences	$ 5,862	$ 4,416	$ (3,096)	$ 7,182	$ 4,780	$ (4,762)	$ 7,200	$ 4,774

NOTE 6. EMPLOYEE RETIREMENT PLAN

PLAN DESCRIPTION

The City contributes to CalPERS, an agent multiple employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by CalPERS. Benefit provisions and all other requirements are established by state statute and City ordinance. A copy of CalPERS' annual financial report may be obtained online at www.calpersca.gov. The Electric Utility participates in the City's Miscellaneous (non-safety) Plan (the Plan).

NOTE 6. EMPLOYEE RETIREMENT PLAN (CONTINUED)

FUNDING POLICY

The City has contributed at the actuarially determined rate provided by CalPERS' actuaries. Participants are required to contribute 8 percent of their annual covered salary. The City has a multiple tier retirement plan with benefits varying by plan. All permanent full-time and selected part-time employees are eligible for participation in CalPERS. Benefits vest after five years of service and are determined by a formula that considers the employee's age, years of service and salary. Under the Plan, the City pays the employees' contribution to CalPERS for employees hired on or before specific dates as follows:

- 1st Tier –
  - The retirement formula is 2.7 percent at age 55 for employees hired on or before October 18, 2011. Effective January 1, 2018 for unrepresented employees (Sr. Management, Management, Professional, Para-professional, Supervisory, Confidential, and Executive units, excluding the Chief of Police and the Fire Chief), the employees were required to pay 2 percent of their pensionable income, with the City contributing the other 6 percent. Effective January 1, 2019, employees were required to pay an additional portion of their pensionable income. This portion was a three-year increase of 2 percent (2019), 2 percent (2020) and 2 percent (2021). As of 2021, employees are contributing the entire 8 percent of their pensionable income.

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

  - The retirement formula is 2.7 percent at age 55 for IBEW and IBEW Supervisory employees hired on or before October 18, 2011. Effective November 1, 2017, employees were required to pay 2 percent of their total pensionable income with the City paying the remaining 6 percent. Effective each November 1st, employees were required to pay an additional portion of their pensionable income. This portion was a three-year increase of 2 percent (2018), 2 percent (2019) and 2 percent (2020). As of November 2020, employees are contributing the entire 8 percent of their pensionable income.

- 2nd Tier - The retirement formula is 2.7 percent at age 55, and:
  - Miscellaneous employees, IBEW, and IBEW Supervisory hired on or after October 19, 2011 pay their share (8 percent) of contributions.

  - SEIU and SEIU Refuse employees hired on or after June 7, 2011 pay their share (8 percent) of contributions.

- 3rd Tier – The retirement formula is 2 percent at age 62 for new members hired on or after January 1, 2013 and the employee must pay the normal cost to CalPERS, which is currently at 7.75 percent. Classic members (CalPERS members prior to 12/31/12) hired on or after January 1, 2013 may be placed in a different tier.

The contribution requirements of plan members and the City are established and may be amended by CalPERS.

BENEFITS PROVIDED

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit Level III, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

NOTE 6. EMPLOYEE RETIREMENT PLAN (CONTINUED)

EMPLOYEES COVERED

As of measurement date June 30, 2021 and 2020, the following employees, City-wide, were covered by the benefit terms of the Plan:

	Measurement Date	
	June 30, 2021	June 30, 2020
Inactive employees or beneficiaries currently receiving benefits	2,373	2,301
Inactive employees entitled to but not yet receiving benefits	1,422	1,427
Active employees	1,508	1,559

CONTRIBUTIONS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

NET PENSION LIABILITY

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. For fiscal year ended June 30, 2022, the net pension liability of the Plan is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. For fiscal year ended June 30, 2021, the net pension liability of the Plan is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below:

ACTUARIAL ASSUMPTIONS

The total pension liabilities in the June 30, 2021 and 2020 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous - Current Year	Miscellaneous - Prior Year
Valuation Date	June 30, 2020	June 30, 2019
Measurement Date	June 30, 2021	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Salary Increase	Varies by entry age and service	Varies by entry age and service
Mortality Rate Table[1]	Derived using CalPERS' membership data for all funds.	
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

[1]The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience

NOTE 6. EMPLOYEE RETIREMENT PLAN (CONTINUED)

ACTUARIAL ASSUMPTIONS (CONTINUED)

Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

CHANGES IN ASSUMPTIONS

There were no changes in assumptions for the measurement date of June 30, 2021.

DISCOUNT RATE

The discount rate used to measure the Plan's total pension liability was 7.15 percent measurement date as of June 30, 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LONG-TERM DISCOUNT RATE OF RETURN

The long-term expected rate of return on pension plan investments was determined using a building-block method in expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long- term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as follows:

June 30, 2021 Measurement Date

Asset Class(1)	Current Target Allocation	Real Return Years 1 - 10(2)	Real Return Years 11+(3)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

(1) In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(2) An expected inflation of 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period.

NOTE 6. EMPLOYEE RETIREMENT PLAN (CONTINUED)

LONG-TERM DISCOUNT RATE OF RETURN (CONTINUED)

June 30, 2020 Measurement Date

Asset Class[1]	Current Target Allocation	Real Return Years 1 - 10[2]	Real Return Years 11+[3]
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

[1] In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

[2] An expected inflation of 2.00% used for this period.

[3] An expected inflation of 2.92% used for this period.

CHANGES IN THE NET PENSION LIABILITY (ASSET)

The changes in the Electric Utility's proportionate share of the net pension liability as of June 30, 2022 (measurement date June 30, 2021) and 2021 (measurement date June 30, 2020) for the Plan are as follows:

June 30, 2022	Net Pension Liability	Proportion of the Plan
Proportion - Reporting date June 30, 2022 (Measurement Date June 30, 2021)	$ (26,219)	29.56 %
Proportion - Reporting date June 30, 2021 (Measurement Date June 30, 2020)	39,233	32.68 %
Changes - Increase / (Decrease)	(65,452)	(3.11)%
June 30, 2021		
Proportion - Reporting date June 30, 2021 (Measurement Date June 30, 2020)	39,233	32.68 %
Proportion - Reporting date June 30, 2020 (Measurement Date June 30, 2019)	89,792	30.73 %
Changes - Increase / (Decrease)	(50,559)	1.95 %

SENSITIVITY OF THE NET PENSION LIABILITY (ASSET) TO CHANGES IN THE DISCOUNT RATE

The following presents the Electric Utility's proportionate share of the net pension liability of the Plan, calculated using the discount rate of 7.15 percent, as well as what the Electric Utility's proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Measurement Date June 30, 2021			Measurement Date June 30, 2020		
	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Electric Utilitiy's proportionate share of the Plan's net pension liability	$ 35,141	$ (26,219)	$ (76,749)	$ 104,813	$ 39,233	$ (14,762)

Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 6. EMPLOYEE RETIREMENT PLAN (CONTINUED)

PENSION EXPENSES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSION

For the fiscal years ended June 30, 2022 and 2021, the Electric Utility recognized pension expense of ($8,343) and $18,267, respectively. At June 30, 2022 and 2021, the Electric Utility reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	June 30, 2022		June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution subsequent to the measurement date	$ 8,080	$ -	$ 8,586	$ -
Change in assumptions	-	-	-	(1,125)
Difference between expected and actual experience	1,088	-	2,307	(589)
Net difference between projected and actual earnings on pension plan investments	-	(44,089)	4,927	-
Total	$ 9,168	$ (44,089)	$ 15,820	$ (1,714)

Deferred outflows of resources related to contributions subsequent to the measurement date reported in prior year was recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Deferred Outflows/ (Inflows) of Resources
2023	$ (10,177)
2024	(9,943)
2025	(10,524)
2026	(12,357)
2027	-
Total	$ (43,001)

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

PLAN DESCRIPTION

The City's defined benefit OPEB plan, Retiree Health Plan, provides continuation of medical (including prescription drugs) and dental coverage benefits to retirees and surviving spouses in the form of an implied rate subsidy. The Retiree Health Benefits plan is a single employer defined benefit OPEB plan administered by the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

BENEFITS PROVIDED

Eligibility for continuation of coverage requires retirement from the City and CalPERS with at least 5 years of City service. The retiree is responsible for 100% of the premium cost for coverage, which is based on the blended experience of both the active and retired employees. The City is not required by law or contractual agreement to provide funding other than the pay-as-you-go amount necessary to provide current benefits to eligible retirees and beneficiaries. Retiree and spousal coverage terminate when the retiree becomes covered under another employer health plan, or when the retiree reaches Medicare eligibility age, which is currently age 65. However, retiree benefits continue to the surviving spouse if the retiree elects the CalPERS survivor annuity.

As of measurement date June 30, 2021 and 2020, the following employees, City-wide, were covered by the benefit terms:

	Measurement Date June 30, 2021	Measurement Date June 30, 2020
Inactive plan members or beneficiaries currently receiving benefits	206	274
Inactive plan members entitled to but not yet receiving benefits	-	-
Active plan members	2,014	2,138

ACTUARIAL ASSUMPTIONS

The total OPEB liability was determined by actuarial valuation as of June 30, 2021 and 2020 using the following actuarial assumptions:

	Miscellaneous - Current Year	Miscellaneous - Prior Year
Valuation Date	June 30, 2021	June 30, 2019
Measurement Date	June 30, 2021	June 30, 2020
Actuarial Cost Method	Pay-as-you-go for implicit rate subsidy	Pay-as-you-go for implicit rate subsidy
Actuarial Assumptions		
Discount Rate	Bond Buyer 20 Index at June 30, 2021 resulting in a rate of 2.16%	Bond Buyer 20 Index at June 30, 2020 resulting in a rate of 2.66%
Inflation Rate	2.75% per annum	3% per annum
Payroll Increases	2.75% per year. Since benefits do not depend on salary (as they do for pensions), this assumption is only used to determine the accrual pattern of the Actuarial Present Value of Projected Benefit Payments.	3.0%, plus merit increases based on the CalPERS experience study as of December 2017
Merit Increases	N/A	Merit increases from the CalPERS pension plan experience study as of December 2017. The benefits are not payroll related but each individual's projected cost is allocated over their lifetime as a level-percentage of pay.

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

ACTUARIAL ASSUMPTIONS (CONTINUED)

	Miscellaneous - Current Year	Miscellaneous - Prior Year	
Mortality	2017 CalPERS Retiree Mortality Table for the appropriated population	SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019	
Healthcare Trend Rates	Medical trend in future years has been updated to 4.00% for all years from 6.25% tiered down by 0.25% per year to 4.50% in all future years.	Fiscal Year End	Future Year Trend
		2020	6.50%
		2021	6.25%
		2022	6.00%
		2023	5.75%
		2024	5.50%
		2025	5.25%
		2026	5.00%
		2027	4.75%
		2028+	4.50%

CHANGES OF ASSUMPTIONS

In 2021, the discount rate was changed from 2.66 percent to 2.16 percent.

SENSITIVITY OF TOTAL OPEB LIABILITY TO CHANGES IN HEALTHCARE COST TREND RATES

The following presents the Electric Utility's, including Public Benefits, proportionate share of the City's total OPEB liability, calculated using the healthcare trend rate of 4.00% and 4.50% for the measurement date as of June 30, 2021 and 2020, respectively, as well as what the Electric Utility's total OPEB liability would be if it was calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Measurement Date June 30, 2021			Measurement Date June 30, 2020		
	1% Decrease	Current healthcare cost trend rate 4%	1% Increase	1% Decrease	Current healthcare cost trend rate 4.5%	1% Increase
Electric Utility's proportionate share of the total OPEB liability	$ 9,205	$ 10,460	$ 11,950	$ 9,726	$ 11,126	$ 12,803

SENSITIVITY OF TOTAL OPEB LIABILITY TO CHANGES IN DISCOUNT RATES

The following presents the Electric Utility's, including Public Benefits, proportionate share of the City's total OPEB liability, calculated using the discount rate of 2.16% and 2.66% for measurement dates of June 30, 2021 and 2020 respectively, as well as what the Electric Utility's total OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Measurement Date June 30, 2021			Measurement Date June 30, 2020		
	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)	1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
Electric Utility's proportionate share of the total OPEB liability	$ 11,354	$ 10,460	$ 9,632	$ 12,225	$ 11,126	$ 10,134

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

CHANGE IN TOTAL OPEB LIABILITY

For fiscal years ended June 30, 2022 and 2021, the Electric Utility, including Public Benefits, recognized total OPEB expense of $530 and $183 respectively. The following table shows the change in the Electric Utility's, including Public Benefits, proportionate share of the City's total OPEB liability for the year ended June 30, 2022 (measurement date June 30, 2021):

June 30, 2022		Net OPEB Liability	Proportion of the Plan
Proportion - Reporting date June 30, 2022 (Measurement Date June 30, 2021)	$	10,460	24.45 %
Proportion - Reporting date June 30, 2021 (Measurement Date June 30, 2020)		11,126	24.28 %
Changes - Increase / (Decrease)		(666)	0.17 %
June 30, 2021			
Proportion - Reporting date June 30, 2021 (Measurement Date June 30, 2020)		11,126	21.28 %
Proportion - Reporting date June 30, 2020 (Measurement Date June 30, 2019)		10,708	21.41 %
Changes - Increase / (Decrease)		418	-0.13 %

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO OPEB

At June 30, 2022, the Electric Utility, including Public Benefits, reported deferred inflows of resources related to OPEB from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Difference between expected and actual experience	$	35	$	(738)
Changes of assumptions		1,461		(688)
Contributions subsequent to measurement date		309		-
Total	$	1,805	$	(1,426)

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30		Deferred Outflows/ (Inflows) of Resources
2023	$	32
2024		32
2025		32
2026		49
2027		53
Thereafter		(128)
Total	$	70

NOTE 8. RESTRICTED NET POSITION

The California Code of Regulations establishes a restriction on the use of proceeds obtained from the sale of greenhouse gas allowances at auctions held pursuant to California's Cap-and-Trade Program. The proceeds are to be used exclusively for the benefit of retail ratepayers of each electrical distribution utility and may not be used for the benefit of entities or persons other than such ratepayers. In addition, the Low Carbon Fuel Standard Program (LCFS) was established and restricts the use of the proceeds obtained from the sale of LCFS credits. The available funds are to be utilized for qualifying projects that support the Electric Utility's customers who are existing and future electric vehicle owners. Accordingly, a reserve for regulatory requirements has been established by restricting assets and reserving a portion of net position. See Note 11 for additional information regarding the Cap-and-Trade Program and the LCFS Program.

Pursuant to applicable bond indentures, a reserve for debt service has been established by restricting assets and reserving a portion of net position. Bond indentures for the Electric Utility's electric revenue and refunding bonds require debt service reserves that equate to the maximum annual debt service required in future years and bond service reserves of three months interest and nine months principal due in the next fiscal year. Variable rate revenue and refunding bonds require 110 percent of the monthly accrued interest to be included in the reserve. Active electric revenue bonds requiring reserves are issues 2008A & C and certain issues have no debt service reserve requirements (2010A, 2011A, 2013A and 2019A).

NOTE 9. JOINTLY-GOVERNED ORGANIZATIONS

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

On November 1, 1980, the City joined with the Imperial Irrigation District and the cities of Los Angeles, Anaheim, Vernon, Azusa, Banning, Colton, Burbank, Glendale and Pasadena to create the Southern California Public Power Authority (SCPPA) by a Joint Powers Agreement under the laws of the State of California. As of July 2001, the City of Cerritos was admitted as an additional member of SCPPA. The primary purpose of SCPPA is to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. SCPPA is governed by a Board of Directors, which consists of one representative from each of the members. During fiscal years ended June 30, 2022 and 2021, the Electric Utility paid approximately $18,424 and $22,301, respectively, to SCPPA under various take-or-pay and renewable contracts that are described in greater detail in Note 11. These payments are reflected as a component of production and purchased power and transmission expenses in the financial statements.

POWER AGENCY OF CALIFORNIA

On July 1, 1990, the City joined with the cities of Azusa, Banning and Colton to create the Power Agency of California (PAC) by a Joint Powers Agreement under the laws of the State of California. The City of Anaheim joined PAC on July 1, 1996. The primary purpose of PAC is to take advantage of synergies and economies of scale as a result of the five cities acting in concert. PAC has the ability to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. PAC is governed by a Board of Directors, which consists of one representative from each of the members. The term of the Joint Powers Agreement is 50 years. Effective June 30, 2001, PAC was placed in an inactive status by the Board of Directors. The Agency can only be reactivated by authorization of the Agency Board.

NOTE 10. JOINTLY-OWNED UTILITY PROJECT - SONGS

The City has a 1.79 percent undivided ownership interest in Units 2 and 3 of SONGS, located south of the City of San Clemente in northern San Diego County. Both Units 2 and 3 of SONGS were permanently retired in June 2013. Consequently, the units are no longer a source of supply for the Electric Utility, but remain associated with certain of its costs, including those associated with the units' shutdown and decommissioning (see Note 1 for nuclear decommissioning liability).

The other owners are SCE, with a 78.21 percent interest (including the 3.16 percent interest it acquired from the City of Anaheim in 2006), and San Diego Gas & Electric Company (SDG&E), with a 20.00 percent interest.

In 2005, the California Public Utilities Commission (CPUC) authorized a project to install four new steam generators in Units 2 and 3 at SONGS and remove and dispose of the predecessor generators. SCE completed the installation of these steam generators in 2010 and 2011 for Units 2 and 3, respectively. The Electric Utility's share of the cost to replace the steam generators was approximately $13.4 million. Replacement of the steam generators was expected to enable plant operations to continue through at least 2022, and perhaps beyond, subject to the approval of the NRC.

In January 2012, a water leak occurred in one of the heat transfer tubes of Unit 3's steam generators, causing it to be shut down. At that time, Unit 2 was off-line for a planned outage when unexpected wear in areas of tube-to-support structure were found. Units 2 and 3 remained off-line for extensive inspections, testing and analysis of their steam generators. On June 7, 2013, SCE unilaterally announced its plan to retire Units 2 and 3 permanently.

Nuclear Decommissioning. As a result of SCE's decision to permanently retire SONGS Units 2 and 3, the decommissioning phase of the plant began in June 2013. The process of decommissioning the nuclear power plant is expected to take many years and is governed by NRC regulations. According to SCE's decommissioning cost estimate document as of March 2018 in 2017 dollars, total decommissioning costs for Units 2 and 3 were estimated at $4.7 billion, of which the Electric Utility's share was $84 million.

In August 2021, SCE provided the updated decommissioning cost estimate document in 2020 dollars. According to the update, total decommissioning costs for Units 2 and 3 are estimated at $5.2 billion, of which the Electric Utility's share is $93.8 million.

Nuclear Decommissioning Funding and Liability. As of June 30, 2022, the Electric Utility has set aside $42,083 in cash investments with the trustee and $16,107 in a designated decommissioning reserve for the Electric Utility's estimated share of the decommissioning costs. Increases to the funds held for decommissioning liability are from investment earnings. The investment earnings are included in investment income in the Electric Utility's financial statements. An equivalent amount is reflected as decommissioning expense, which is considered part of production and purchased power. Decreases to the funds held for decommissioning liability are from actual funds drawn from the trust for decommissioning costs invoiced by SCE.

On February 23, 2016, the City Council adopted a resolution authorizing the commencement of SONGS decommissioning effective June 7, 2013. This resolution allows the Electric Utility to access the decommissioning trust funds to pay for its share of decommissioning costs. The Electric Utility began drawing decommissioning trust funds to pay for decommissioning costs in the fiscal year ended June 30, 2017. As of June 30, 2022, the Electric Utility has paid to date $40,539 in decommissioning obligations, which have been reimbursed by the trust funds.

As of June 30, 2022 and 2021, decommissioning liability balance was $53,310 and $50,896, respectively, with a portion reflected as current liabilities payable from restricted assets. As a result of the updated SCE decommissioning cost estimate and the increase in the Electric Utility's estimated share, the decommissioning liability was increased by $5.7 million in fiscal year 2022. The offset of this liability increase has been recorded as an extraordinary item in fiscal year 2021/22. See Note 13 for additional information.

The Electric Utility no longer provides additional funding to the trustee. However, since the decommissioning cost estimate is subject to a number of uncertainties including the cost of disposal of nuclear waste, site remediation costs, as well as a number of other assumptions and estimates, the Electric Utility will continue to set aside funds in the designated decommissioning reserve of $2,000 per year, as approved by the Board of Public Utilities and City Council.

	Balance As of 6/30/2020	Additions	Reductions	Balance As of 6/30/2021	Additions	Reductions	Balance As of 6/30/2022	Due Within One Year
Nuclear decommisioning liability	$ 55,708	$ 628	$ (5,440)	$ 50,896	$ 6,555	$ (4,141)	$ 53,310	$ 8,813

NOTE 11. COMMITMENTS

The Electric Utility has a power purchase contract with Intermountain Power Agency (IPA) for the delivery of electric power. The Electric Utility's share of IPA power is equal to 7.6 percent, or approximately 137.1 MW, of the net generation output of IPA's 1,800 MW central Utah coal-fueled generating station, known as Intermountain Power Project (IPP). The contract expires in 2027 and the debt fully matures in 2024.

The contract constitutes an obligation of the Electric Utility to make payments solely from operating revenues. The power purchase contract requires the Electric Utility to pay certain minimum charges that are based on debt service requirements and other fixed costs. Such payments are considered a cost of production.

On September 29, 2006, Senate Bill 1368 (SB 1368) was enacted into law. The bill requires electric service providers to limit financial investments in power plants to those that adhere to greenhouse gas performance standards as determined by the Public Utilities Commission. Pursuant to this legislation, the Electric Utility is prohibited from renewing its participation in IPP if it remains a coal fueled generating resource.

In order to facilitate the continued participation in the IPP, the IPA Board issued the Second Amendatory Power Sales Contract, which amended the IPP Contract allowing the plant to replace the coal units with combined cycle natural gas units by July 1, 2025. On June 16, 2015, the City Council approved the IPP renewal agreements, including the Second Amendatory Power Sales Contract and the Renewal Power Sales Contract, and authorized participation in the IPP Repower Project for up to 5 percent in generation capacity or 60 MW. The Second Amendatory Power Sales Contract became effective March 16, 2016.

On January 5, 2017, the Electric Utility executed the Renewal Power Sales Contract and the Electric Utility accepted an offer of 4.167 percent entitlement or 50 MW generation capacity in the IPP Repower Project based on the 1,200 MW designed capacity, which is within the maximum participation level approved by the City Council. The Electric Utility's corresponding Southern Transmission System allocation is 5.278 percent or approximately 127 MW. Further, under the Renewal Power Sales Contract, the Electric Utility had the right to exit from the Repower Project by no later than November 1, 2019, if it is determined that the Repower Project is not cost beneficial to its customers.

On September 11, 2018, the City Council approved "Alternative Repowering" of the IPP Repower Project, which reduced the design capacity of the future plant from 1,200 MW to 840 MW.

On May 7, 2019, the City Council authorized termination of the Renewal Power Sales Contract between the IPA and the Electric Utility effective November 1, 2019, and the Electric Utility's exit from the IPP Repower Project upon the expiration date of the current Power Sales Contract on June 15, 2027, due to numerous uncertainties surrounding the IPP Repower Project.

The Electric Utility is a member of SCPPA, a joint powers agency (see Note 9). SCPPA provides for the financing and construction of electric generating and transmission projects for participation by some or all of its members. To the extent the Electric Utility participates in take-or-pay projects developed by SCPPA, it has entered into Power Purchase or Transmission Service Agreements, entitling the Electric Utility to the power output or transmission service, as applicable, and the Electric Utility will be obligated for its proportionate share of the project costs whether or not such generation output of transmission service is available.

The projects and the Electric Utility's proportionate share of SCPPA's obligations, including final maturities and contract expirations are as follows:

Project	Percent Share	Entitlement	Final Maturity	Contract Expiration
Palo Verde Nuclear Generating Station	5.40 %	12.3 MW	2017	2030
Southern Transmission System	10.20 %	244.0 MW	2027	2027
Mead-Phoenix Transmission	4.00 %	18.0 MW	2020	2030
Mead-Adelanto Transmission	13.50 %	118.0 MW	2020	2030

As part of the take-or-pay commitments with IPA and SCPPA, the Electric Utility has agreed to pay its share of current and long-term obligations. Management intends to pay these obligations from operating revenues received during the year that payment is due. A long-term obligation has not been recorded on the accompanying financial statements for these commitments. Take-or-pay commitments terminate upon the later of contract expiration or final maturity of outstanding bonds for each project.

NOTE 11. COMMITMENTS (CONTINUED)

The outstanding debts associated with the take-or-pay obligations have fixed interest rates, which range from 4.00 percent to 5.00 percent. The schedule below details the amount of principal and interest that is due and payable by the Electric Utility as part of the take-or-pay contract for each project in the fiscal year indicated:

	IPA[1]	SCPPA	Total
Debt Service Payment (in thousands) Year Ending June 30,	Intermountain Power Project	Southern Transmission System	All Projects
2023	$ 7,285	$ 7,083	$ 14,368
2024	3,472	7,125	10,597
2025	2,990	3,261	6,251
2026	2,990	3,257	6,247
2027	4,800	6,508	11,308
2028-2032	-	-	-
Total	$ 21,537	$ 27,234	$ 48,771

[1] The Electric Utility's contract with IPA expires in 2027. The Electric Utility will not be responsible for the proportionate share of the 2022 Series A and B Revenue bonds after the contract expires.

In addition to debt service, the Electric Utility's entitlements require the payment of fuel costs, operating and maintenance, administrative and general and other miscellaneous costs associated with the generation and transmission facilities discussed above. These costs do not have a similar structured payment schedule as debt service varies each year. The costs incurred for the years ended June 30, 2022 and 2021, are as follows (in thousands):

Fiscal Year	Intermountain Power Project[1]	Palo Verde Nuclear Generating Station[1]	Southern Transmission System	Mead-Phoenix Transmission	Mead-Adelanto Transmission	All Projects
2022	$ 19,522	$ 2,930	$ 4,400	$ 57	$ 415	$ 27,324
2021	$ 20,648	$ 2,951	$ 5,126	$ 44	$ 424	$ 29,193

[1] Excludes variable cost.

These costs are included in production and purchased power or transmission expense on the Statements of Revenues, Expenses and Changes in Net Position.

The Electric Utility has become a Participating Transmission Owner with the California Independent System Operator (CAISO) and has turned over the operational control of its transmission entitlements including the Southern Transmission System, Mead-Phoenix, and Mead-Adelanto Transmission Projects. In return, users of California's high voltage transmission grid are charged for, and the Electric Utility receives reimbursement for, transmission revenue requirements, including the costs associated with these three transmission projects.

HOOVER UPRATING PROJECT

The Electric Utility's initial entitlement in the Hoover project through SCPPA terminated on September 30, 2017. On August 23, 2016, the City Council approved a 50-year Electric Service Contract (ESC) and an Amended and Restated Implementation Agreement (IA) with the Western Area Power Administration (Western) Bureau of Reclamation for 30 MW of hydroelectric power. The contract with Western is effective as of October 1, 2017. The ESC extended the Electric Utility's 30 MW entitlement in the Hoover project through 2067. The IA is a supplemental agreement to the ESC that establishes administrative, budgetary and project oversight by creating project committees and a process for decision making in plant operations.

NUCLEAR INSURANCE

The Price-Anderson Act (the Act) requires that all utilities with nuclear generating facilities purchase the maximum private primary nuclear liability insurance available ($450 million) and participate in the industry's secondary financial protection plan. The secondary financial protection program is the industry's retrospective assessment plan that uses deferred premium charges from every licensed reactor owner if claims and/or costs resulting from a nuclear incident at any licensed

NOTE 11. COMMITMENTS (CONTINUED)

NUCLEAR INSURANCE (CONTINUED)

reactor in the United States were to exceed the primary nuclear insurance at that plant's site. Effective June 10, 2021, the Act limits liability from third-party claims to approximately $13.7 billion per incident. Under the industry-wide retrospective assessment program provided for under the Act, assessments are limited to $137.6 million per reactor for each nuclear incident occurring at any nuclear reactor in the United States, with payments under the program limited to $20.5 million per reactor, per year, per event to be indexed for inflation every five years. Based on the Electric Utility's interest in Palo Verde, the Electric Utility would be responsible for a maximum assessment of $1.3 million, limited to payments of $0.2 million per incident, per year. If the public liability limit above is insufficient, federal regulations may impose further revenue-raising measures to pay claims, including a possible additional assessment on all licensed reactor operators.

RENEWABLE PORTFOLIO STANDARD (RPS)

On April 12, 2011, the California Renewable Energy Resources Act (SBX1-2) was signed into law by the Governor, which officially created the first set of tiered RPS targets of 20% by 2013, 25% by 2016 and 33% by 2020. SBX1-2 specified that publicly owned utilities must meet these defined targets via interim Compliance Period (CP) targets to achieve the end goal of 33% RPS by December 31, 2020 as follows: CP1 - an average of 20 percent of retail sales during the 3-year period from 2011-2013; CP2 – no less than 25 percent of retail sales by December 31, 2016; and CP3 – no less than 33 percent of retail sales by December 31, 2020. The Riverside Public Utilities Board and City Council approved the RPS Enforcement Program required by SBX1-2 on November 18, 2011 and December 13, 2011, respectively, and further approved the Electric Utility's RPS Procurement Plan (a.k.a. Procurement Policy) implementing the new RPS mandates on May 3, 2013 and May 14, 2013, respectively. The Electric Utility met the procurement requirements of SBX1-2 for CP1 (2011-2013), CP2 (2014-2016), and CP3 (2017-2020). The additional future mandates are expected to be met with resource procurement actions as outlined in the Electric Utility's RPS Procurement Plan. For calendar year 2021, renewable resources provided 43 percent of retail sales requirements.

On October 7, 2015, the Governor signed into law Senate Bill 350 (SB 350) increasing the RPS mandate from 33 percent by 2020 to 50 percent by December 31, 2030. In addition, SB 350 required that an updated RPS Procurement Policy be approved and adopted before January 1, 2019 and be incorporated into the Electric Utility's Integrated Resource Plan. An updated 2018 Renewable Energy Procurement Policy was adopted by the Board and City Council on September 10, 2018 and October 9, 2018, respectively. The Electric Utility expects to be able to substantially meet the increased RPS mandates imposed by SB 350 with the actions described in the updated procurement policy and the portfolio of renewable resources outlined below.

On September 10, 2018, the 100 Percent Clean Energy Act of 2018 (Senate Bill 100) was signed into law by the California Governor. This bill further increases the RPS goals of SBX1-2 and SB 350 while maintaining the 33 percent RPS target by December 31, 2020, but modifying the RPS percentages to be 44 percent by December 31, 2024, 52 percent by December 31, 2027, 60 percent by December 31, 2030, with an end goal of 100 percent of total retail sales of electricity in California generated from eligible renewable energy resources and zero-carbon resources by December 31, 2045. It is expected that the California Energy Commission will have further guidance and enforcement procedures for publicly owned utilities to meet these increased mandates. The Electric Utility will continue to monitor the outcome and impacts of any upcoming workshops and regulations in meeting the new requirements.

In an effort to increase the share of renewables in the Electric Utility's power portfolio, the Electric Utility entered into power purchase agreements (PPA) and power sales agreements (PSA) with various entities described below in general on a "take-and-pay" basis. The contracts in the following tables were executed as part of compliance with RPS mandates.

NOTE 11. COMMITMENTS (CONTINUED)

RENEWABLE PORTFOLIO STANDARD (RPS) (CONTINUED)

Long-term renewable PPAs and PSAs in operation (dollars in thousands):

Supplier	Type	Maximum Contract[1]		Contract Expiration	Estimated Annual Cost for 2022
Wintec	Wind	1.3	MW	02/19/2024	$ 150
WKN Wagner	Wind	6.0	MW	12/22/2032	1,344
Terraform Power - AP North Lake	Photovoltaic	20.0	MW	08/11/2040	4,905
Onward Energy - Columbia II	Photovoltaic	11.1	MW	12/22/2034	2,314
GlidePath Power Solutions - GPS Cabazon Wind LLC	Wind	39.0	MW	01/01/2025	4,299
Capital Dynamics - Kingbird Solar B, LLC	Photovoltaic	14.0	MW	12/31/2036	2,867
AES - Summer Solar	Photovoltaic	10.0	MW	12/31/2041	1,748
AES - Antelope Big Sky Ranch	Photovoltaic	10.0	MW	12/31/2041	1,748
AES - Antelope DSR 1 Solar	Photovoltaic	25.0	MW	12/19/2036	3,826
Capital Dynamics - Tequesquite Landfill Solar	Photovoltaic	7.3	MW	12/31/2040	1,423
American Renewable Power - Loyalton	Biomass	0.8	MW	04/19/2023	615
Roseburg Forest Products	Biomass	0.5	MW	02/16/2026	179
CalEnergy - Salton Sea Portfolio	Geothermal	86.0	MW	12/31/2039	55,622
Atlantica - Coso Geothermal	Geothermal	10.0	MW	12/31/2042	6,050
Total		241.0	MW		$ 87,090

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

Long-term renewable PPAs with expected delivery:

Supplier	Type	Maximum Contract[1]	Expected Delivery	Energy Delivery No Later Than	Contract Term In Years
Atlantica - Coso Geothermal	Geothermal	20.0 MW	01/01/2027	01/01/2027	15
Total		20.0 MW			

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

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

On May 14, 2013, the City Council approved a new 25-year PPA with CalEnergy, the parent of Salton Sea, for additional renewable geothermal power. The PPA provides power from a portfolio of ten geothermal generating units, instead of a single generating unit, with an increasing amount of delivery that started with 20 MW in 2016, increasing to 40 MW in 2019, and 86 MW in 2020. The initial price under the agreement was $72.85 per megawatt-hour (MWh) in calendar year 2016, which will escalate at 1.5 percent annually for the remaining term of the agreement. Similar to other renewable PPAs, the Electric Utility is only obligated for purchases of energy delivered to the City.

Concurrently, the pricing under the Salton Sea PPA has been amended to conform to pricing in the new PPA with CalEnergy through the remaining term of the Salton Sea PPA. The pricing under the Salton Sea PPA increased by approximately $7.57 per MWh, commencing July 1, 2013 to $69.66 per MWh, with an escalation of 1.5 percent annually, thereafter, reflecting the exchange of benefits for a substantially lower pricing under the new PPA. The cost increase under the Salton Sea PPA and accrual of the prepayment ended as of May 31, 2020. As of June 30, 2022 and 2021, the Electric Utility's prepayment of future contractual obligations was $12,970 and $13,615, respectively. This prepayment is recorded on the Statements of Net Position as unamortized purchased power, to be amortized over the term of the CalEnergy PPA. The CalEnergy PPA commenced in February 2016. As of June 30, 2022 and 2021, the Electric Utility has recorded $645 and $630, respectively, in amortization related to the unamortized purchased power.

NOTE 11. COMMITMENTS (CONTINUED)

RENEWABLE PORTFOLIO STANDARD (RPS) (CONTINUED)

On January 28, 2003, the Electric Utility entered into a 15-year renewable PPA with Wintec Energy, Ltd (Wintec) to purchase all of the energy output generated by Wintec's wind powered electric generating units with capacity up to 5 MW. Due to unforeseen circumstances, Wintec was only able to generate capacity totaling 1.3 MW. On November 15, 2005, the City Council approved an amendment to the original agreement, reducing the capacity to 1.3 MW. The amended contract with Wintec terminated in December 2018, however, on February 12, 2019, the City Council approved an extension to the amended agreement for an additional five years for a reduced price of $35.77 per MWh.

On October 16, 2012, the Electric Utility entered into a 25-year PPA with AP North Lake, LLC (AP North) for 20 MW of solar photovoltaic energy generated by a new facility located in the City of Hemet, California. The AP North Lake Project became fully operational in August 2015. The project is expected to generate 55,000 MWh of renewable energy per year at a levelized cost of $95 per MWh for the term of the PPA. After a series of ownership changes, AP North Lake is now owned by Terraform Power.

On December 20, 2012, the Electric Utility entered into a 20-year PPA with WKN Wagner, LLC (WKN) for up to 6 MW of renewable wind energy and renewable energy credits from the WKN Wagner wind project in Palm Springs, California. WKN is expected to generate 21,000 MWh of renewable energy annually at a levelized cost of $73 per MWh.

On January 17, 2013, the Electric Utility entered into two 25-year PSAs with SCPPA for a combined total of 20 MW of solar photovoltaic energy generated by two facilities to be built in the City of Lancaster by Silverado Power, which later changed its name to sPower after a series of ownership changes. The two projects are referred to as Antelope Big Sky Ranch and Summer Solar, each rated at 20 MW. The Electric Utility has a 50 percent share of the output from each project through SCPPA, which has two 20 MW PPAs with sPower. Summer Solar became commercially operational on July 25, 2016, and Antelope Big Sky Ranch became commercially operational on August 19, 2016. The Electric Utility's share from the two projects is 55,000 MWh of renewable energy per year. The price under the agreements is $71.25 per MWh over the term of the agreements. In 2021, sPower merged with the AES Corporation, resulting in AES becoming the new parent company.

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

On September 19, 2013, the Electric Utility entered into a 20-year PSA with SCPPA for 11.1 MW of solar photovoltaic energy generated by a facility to be built by Recurrent Energy in Kern County, California. The project, referred to as Columbia Two Solar Photovoltaic Project, has a nameplate capacity of 15 MW. On March 14, 2014, a Consent and Agreement was entered into by SCPPA consenting to the transfer of ownership of the Columbia Two project from Recurrent Energy to Dominion Resources. The Columbia Two Project completed construction and achieved commercial operation in December 2014. The Electric Utility has a 74.3 percent share (11.1 MW) of the output from the Columbia Two Project through SCPPA, which has a 15 MW PPA with Dominion Resources. The Electric Utility's share of Columbia Two is approximately 33,000 MWh of renewable energy per year with an all-in price for energy, capacity and environmental attributes of $69.98 per MWh over the term of the agreement. In 2021, Onward Energy, LLC became the new parent company of Columbia Two.

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

NOTE 11. COMMITMENTS (CONTINUED)

RENEWABLE PORTFOLIO STANDARD (RPS) (CONTINUED)

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

On July 16, 2015, the Electric Utility entered into a 20-year PSA with SCPPA for 25 MW of solar photovoltaic energy generated by sPower's Antelope DSR Solar PV Project in the City of Lancaster, California. The Electric Utility has a 50 percent share of the output from the project through SCPPA, which has a 50 MW PPA with sPower. The project became commercially operational on December 20, 2016. The Electric Utility's share of Antelope DSR Solar is expected to generate approximately 71,000 MWh of renewable energy per year with an all-in price for energy, capacity and environmental attributes of $53.75 per MWh over the term of the agreement. In 2021, sPower merged with the AES Corporation, resulting in AES becoming the new parent company.

On November 16, 2017, the Electric Utility entered into a 5-year PSA with SCPPA for 0.8 MW of biomass energy generated by American Renewable Power (ARP) - Loyalton Biomass Project. The Electric Utility has a 4.48 percent share of the output of the project through SCPPA, which, along with Imperial Irrigation District, Modesto Irrigation District, Sacramento Municipal Utility District, and Turlock Irrigation District, has an 18 MW PPA with ARP-Loyalton. The project began delivery on April 20, 2018. The Electric Utility's share of ARP Loyalton is expected to generate 6,358 MWh of renewable energy per year with an all-in price for energy, capacity and environmental attributes of $97.50 per MWh over the term of the agreement. On February 18, 2020, ARP Loyalton Cogen, LLC filed Chapter 11 bankruptcy. On March 18, 2020, the bankruptcy was converted to Chapter 7. On April 30, 2020, the bankruptcy court approved the sale of the ARP Loyalton project to Sierra Valley Enterprise.

On December 18, 2019, the Electric Utility entered into a 15-year PPA with Camino Solar, LLC for 44 MW of solar photovoltaic energy, 11 MW/44 MWh battery energy storage, associated environmental attributes, and capacity rights. The Camino Solar plus Battery Energy Storage Project was forecasted to generate approximately 147,000 MWh of renewable energy per. The all-in price for energy, capacity and environmental attributes of the solar was $27.70 per MWh over the term of the agreement. The Battery Energy Storage capacity of the facility was 11 MW with a minimum four-hour duration. The Battery Energy Storage Capacity price of the facility was $6.48 per kilowatt-month. This photovoltaic/Battery Energy Storage System was scheduled to begin commercial operation by April 2022, but contracting delays in 2020 caused this commercial operation date to shift out to May 2023. Then in April 2021, the developer of this project informed Riverside that the project could not be built for the contracted price and additional PV and lithium battery supply chain disruptions in the fall of 2021 rendered the proposed project untenable. On February 24, 2022, Riverside and Camino Solar, LLC mutually agreed to terminate the PPA in exchange for a termination payment of $3,000 to Riverside.

On January 15, 2021, the Electric Utility entered into a 20-year PSA with SCPPA for 10 MW for the first 5 years of the contract and 30 MW for the remaining 15 years of the contract of geothermal energy generated by Atlantica's Coso Geothermal project. The Electric Utility has partnered with the cities of Banning and Pasadena to share SCPPA's contracted capacity. The project began delivery on January 1, 2022. The Electric Utility's share of Coso Geothermal is expected to provide 87,500 MWh annually in the first 5 years of the term and 268,300 MWh in the remainder of the term at an all-in price for energy, capacity, Resource Adequacy, and environmental attributes of $69.00 per MWh over the term of the agreement.

On February 16, 2021, the Electric Utility entered into a 5-year SB 859 Purchase Agreement with Roseburg Forest Products Co for the remaining 0.5 MW of SB 859 compliance. The Electric Utility has a 4.48 percent share of the output of the project along with SCPPA, Modesto Irrigation District, Sacramento Municipal Utility District, and Turlock Irrigation District, for a total capacity of 11 MW with Roseburg. The project began delivery on February 16, 2021. The price for the SB 859 compliant capacity is $46.00 per MWh over the term of the agreement.

CAP-AND-TRADE PROGRAM

Assembly Bill (AB) 32, enacted in 2006, mandated that the California Air Resources Board (CARB) develop regulations for the reduction of greenhouse gas (GHG) emissions to the 1990 levels by the year 2020. Subsequently, Senate Bill (SB 32), enacted in 2016, extended the requirements of AB 32 and codified that it was the State's goal to reduce GHG emissions to

NOTE 11. COMMITMENTS (CONTINUED)

CAP-AND-TRADE PROGRAM (CONTINUED)

40% below 1990 levels by the year 2020. AB 398 was then enacted in 2017 clarifying that it was the State legislature's intent to continue the Cap-and-Trade Program and regulations until 2030. In January 2013, emission compliance obligations developed by CARB began under the Cap-and-Trade Program (Program). This Program requires electric utilities to have GHG allowances on an annual basis to offset GHG emissions associated with generating electricity. To ease the transition and mitigate the rate impacts to retail customers, CARB will allocate certain amounts of GHG allowances at no cost to electrical distribution utilities. The Electric Utility's free allocation of GHG allowances is expected to be sufficient to meet the Electric Utility's direct GHG compliance obligations.

At times, the Electric Utility may have allocated allowances in excess of its compliance obligations that can be sold into the CARB quarterly auctions. In fiscal years ended June 30, 2022 and 2021, the Electric Utility received $14,960 and $8,251, respectively, in proceeds related to the sale of the GHG allowances, which are included on the Statements of Revenues, Expenses and Changes in Net Position as other operating revenue. The Electric Utility has established a restricted Regulatory Requirement reserve to comply with regulatory restrictions and governing requirements related to the use of the GHG proceeds. The available funds are to be utilized for qualifying projects, consistent with the goals of AB 32 to benefit the retail ratepayers. The balance in the Regulatory Requirement reserve was $16,366 and $14,555 as of June 30, 2022 and 2021, respectively.

The Electric Utility also purchases GHG allowances, which can be used in future periods for GHG compliance regulations. The balance of purchased GHG allowances was $485 and $971 as of June 30, 2022 and 2021, and is recorded as inventory on the Statements of Net Position.

LOW CARBON FUEL STANDARD PROGRAM

Assembly Bill (AB) 32, enacted in 2006, mandated that the California Air Resources Board (CARB) develop regulations for the reduction of greenhouse gas (GHG) emissions to the 1990 levels by the year 2020. Subsequently, Senate Bill (SB 32), enacted in 2016, extended the requirements of AB 32 and codified that it was the State's goal to reduce GHG emissions to 40% below 1990 levels by the year 2020. Similar to the Cap-and-Trade Program, the Low Carbon Fuel Standard (LCFS) Program is a key component of the market mechanisms authorized by these bills to achieve the State's GHG emissions reduction goals. The LCFS regulation was initially approved by CARB in 2009. The program then underwent some litigation in the State of California and the regulation was re-adopted in 2015 with modifications and went into effect in 2016. LCFS seeks to reduce the carbon intensity (CI) of fuels used for transportation by establishing an annual CI target. Fuels that have a CI greater than the target have a compliance obligation and are required to turn in LCFS credits; fuels with a CI lower than the target may generate credits.

Electricity is considered a fuel subject to the program when it is used as a transportation fuel in electric vehicles. However, because the CI of electricity is substantially lower than the annual CI targets under the program, electricity is a fuel that generates LCFS credits and participation in the Program is voluntary. The City opted into the LCFS program in March 2018 and began generating LCFS credits for the first quarter of 2018. These credits are associated with two sources – unmetered electricity used to charge residents' electric vehicles at their homes (residential base credits) and from electric forklifts charging at private businesses (forklift credits). CARB calculates the credits that the Electric Utility receives and the Electric Utility submits reports quarterly to receive the credits.

The LCFS regulation was amended in 2018 and required that electric utilities that have opted into the LCFS Program participate in and manage a statewide point-of-sale rebate program for new electric vehicles. This program is called the California Clean Fuel Reward Program (CFR) and the City joined the program in May 2020. To fund the program, electric utilities are required to contribute proceeds received from the sales of residential base credits beginning with the credits the Electric Utility received in Q4 2019 (generated from electricity used for transportation in Q2 2019). Residential base credits the Electric Utility received prior to that time are not subject to the contribution requirements. Additionally, a "start-up" contribution from proceeds is required to be submitted by January 31, 2021. After the initial deposit of funds in November 2020, deposits to the CFR program are required by March 31 annually.

In fiscal years ended June 30, 2022 and 2021, the Electric Utility's proceeds from the sale of LCFS credits was $1,047 and $1,166, respectively. These proceeds are included on the Statements of Revenues, Expenses and Changes in Net Position as other operating revenue. The Electric Utility has established a restricted Regulatory Requirement reserve to comply with regulatory restrictions and governing requirements related to the use of the LCFS proceeds. The available funds are to be utilized for qualifying programs that support the Electric Utility's customers who are existing and future electric vehicle owners. Total expenses for qualifying programs as of June 30, 2022 and 2021 was $210 and $440,

NOTE 11. COMMITMENTS (CONTINUED)

LOW CARBON FUEL STANDARD PROGRAM (CONTINUED)

respectively. The balance in the Regulatory Requirement reserve as of June 30, 2022 and 2021 was $3,233 and $2,368, respectively.

CONSTRUCTION COMMITMENTS

As of June 30, 2022, the Electric Utility had commitments (encumbrances) of approximately $19,409 with respect to ongoing capital projects, of which $8,380 is expected to be funded by bonds, $7,842 to be funded by unrestricted cash reserves, and $3,187 to be funded by restricted cash reserves.

FORWARD PURCHASE/SALE AGREEMENTS

In order to meet seasonal energy needs and summer peaking requirements, the Electric Utility contracts on a monthly and/or quarterly basis for the purchase or sale of natural gas, electricity and/or capacity products on a one to four year forward time horizon. As of June 30, 2022, the Electric Utility has net natural gas and electricity commitments for fiscal year 2023 and thereafter of approximately $70,840, with a market value of $77,296.

NOTE 12. LITIGATION

The Electric Utility is a defendant in various lawsuits arising in the normal course of business. Present lawsuits and other claims against the Electric Utility are incidental to the ordinary course of operations of the Electric Utility and are largely covered by the City's self-insurance program. In the opinion of management and the City Attorney, such claims and litigation will not have a materially adverse effect upon the financial position or results of operation of the Electric Utility. Contractual and litigation matters of the Electric Utility relating to SONGS are contained in Note 10.

On September 12, 2018, a petition for writ of mandate entitled Parada v. City of Riverside ("Parada II") was filed against the City seeking to invalidate, rescind and void, under Proposition 26, the Electric System's rates approved by City Council on May 22, 2018, which took effect on January 1, 2019, by challenging the portion of the electric rates that are attributable to the General Fund. The petition did not seek any monetary relief from the General Fund. The trial court divided the case into two stages for hearings: a liability phase and a damages phase. On April 17, 2020, the Court in the liability phase of Parada II litigation entered a tentative ruling finding the City's electric rates attributable to the General Fund transfer violate Article XIII C of the California Constitution. The formal hearing on the matter took place on June 5, 2020, but the Court asked for further briefing on the issue of whether or not the plaintiffs failed to exhaust their administrative remedies. On October 9, 2020, the Court confirmed its tentative ruling and entered an order denying the City's request for interlocutory remand. The court had set a hearing for February 24, 2021, to set a briefing schedule for determining appropriate remedies /damages in the case. The City expected the second phase of the trial relating to plaintiffs' available remedies to occur in the second quarter of 2021.

The ruling by the Court in Parada II was anticipated to likely have a material adverse impact on the City's General Fund. The General Fund receives approximately $40 million annually (up to the maximum amount of 11.5% of Electric Fund revenues) from the Electric Fund. Based on the Court's order in the liability phase of the trial, approximately $19-32 million of the General Fund transfer is potentially attributable to rate payer revenue that was not approved by the voters. However, that amount will be determined during the damages phase of the trial. Additionally, the City might have been required to refund rate payers for the portions of the rates that were determined to violate Article XIII C of the California Constitution from the date the writ of mandate was filed. However, the trial court did not issue any ruling as to what the amount of any damages would be.

Based on the Court's order in the liability phase of the trial, the City estimated that the amount of a refund would be $19 to $32 million per year, beginning January 1, 2019, until date of settlement or issuance of a final, non-appealable judgment by the trial court after anticipated appeals are resolved. This amount could vary depending upon whether or not the City decides to repeal and replace the challenged rates pending appeal.

On May 17, 2021, the City and the Paradas entered into a conditional settlement agreement. This settlement was conditioned on: (1) the Riverside City Council's placement of a ballot measure on City ballots in November 2021 to approve the City's General Fund Transfer practices as a general tax ("Ballot Measure"); and (2) voter approval of the Ballot Measure. The Riverside City Council placed the Ballot Measure on the ballot for the November 2, 2021 election. The Parties stayed the Parada lawsuit until certification of the results of the Ballot Measure. If voters approved the Ballot Measure, the City would refund to customers of its electric utility an amount equal to $24 million less the amount awarded to Plaintiffs' counsel in fees, paid over a five year period beginning no later than February 1, 2022.

NOTE 12. LITIGATION (CONTINUED)

If voters did not approve the Ballot Measure, this litigation would then resume.

On or about September 16, 2021, a petition for writ of mandate entitled Riversiders Against Increased Taxes v. City of Riverside, et al. ("RAIT lawsuit") was filed against the City challenging the Ballot Measure on the grounds that the Ballot Measure cannot be adopted at the November 2021 election because that election is a "special" election and under Proposition 218, a ballot measure to impose a general tax can only be submitted to voters at a general election. On November 9, 2021, the court set a trial date for the RAIT lawsuit for January 7, 2022 and ordered a stay of the certification of the Ballot Measure Election results pending the January 7th hearing but did not otherwise delay or cancel the election for the Ballot Measure.

The election was held on November 2, 2021, and the Measure C was approved by voters, with 54.52 percent voting in favor.

On April 26, 2022 the RAIT lawsuit trial court determined that the November 2021 election was a "special election" rather than a "general election" and therefore did not comply with Proposition 218. The RAIT lawsuit trial court further ruled that it lacked power to enjoin the certification of election results or to otherwise invalidate the election. Both sides have since appealed that ruling.

On May 12, 2022, the City and the Paradas amended the May 17, 2021 Settlement Agreement, with the following additional terms: (a) City agreed to start making refunds to ratepayers by October 1, 2022; (b) if the City prevailed in the appeal of the trial court's decision in the RAIT lawsuit, no additional refund would be due to the ratepayers; (c) if the City did not prevail in the appeal of the trial court's decision in the RAIT lawsuit, an additional refund would be implemented in the amount of $705,882 per month, from November, 2021 up to when the City either (i) sets new electric rates; (ii) voters approve a valid ballot measure for the GFT or (iii) the City otherwise stops collecting the electric GFT. The Parada lawsuit was dismissed on May 13, 2022.

The City Council adopted a resolution certifying the results of the Measure C election on July 19, 2022. The plaintiffs from the RAIT lawsuit sought to intervene in the Parada lawsuit and set aside this dismissal. On August 3, 2022, the Parada trial court refused to set aside the dismissal. The City has now begun to implement the settlement agreement.

NOTE 13. EXTRAORDINARY ITEM

In fiscal year 2021/22, SCE provided the 2020 Decommissioning Cost Estimate report, which projected a material increase in costs for the Electric Utility over the life of the SONGS decommissioning project. As a result, it was determined that the decommissioning liability be increased. The increase in the decommissioning liability of $5,748 is reported as an extraordinary item on the Statements of Revenue, Expenses and Changes in Net Position as of June 30, 2022. For additional information related to SONGS, refer to Note 10.

NOTE 14. LEASES

For the year ended 6/30/2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

LEASES PAYABLE

The Electric Utility has entered into 23 leases as Lessee for the use of various pieces of equipment. The terms range from 56 months to 85 months beginning on the contract commencement date. An initial lease liability was recorded in the amount of $625. As of 06/30/2022, the value of the lease liability is $497. The Electric Utility is required to make monthly payments ranging from $0 to $6 through the terms of the leases. The leases have an interest rate of 0.52%. The leases have various options to extend, ranging up to 2 years. The value of the right to use asset as of 06/30/2022 of $628 with accumulated amortization of $137 and is included with Equipment on the Lease Class activities table found below.

NOTE 14. LEASES (CONTINUED)

LEASES PAYABLE (CONTINUED)

Asset Class	Amount of Lease Assets by Major Classes of Underlying Asset: Lease Asset Value	Amount of Lease Assets by Major Classes of Underlying Asset: Accumulated Amortization
Equipment	$ 348	$ (62)
Improvement	280	(75)
Total	$ 628	$ (137)

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2023	$ 134	$ 1	$ 135
2024	136	1	137
2025	136	2	138
2026	91	1	92
Total	$ 497	$ 5	$ 502

LEASES RECEIVABLE

The Electric Utility entered into 11 leases as a Lessor for the use of various pieces of building and equipment. The terms range from 5 to 30 years beginning on the contract commencement date. An initial lease receivable was recorded in the amount of $1,328. As of June 30, 2022, the value of the lease receivable is $8,089. The lessee is required to make monthly payments ranging from $0 to $23 through the terms of the leases. The leases have interest rates ranging from 0.52% to 1.68%. The various buildings and equipment estimated useful lifes range from 3 to 50 years. The value of the deferred inflow of resources as of June 30, 2022 was $7,964, and the Electric Utility recognized lease revenue of $1,452 during the fiscal year. The lessees have various extension options, ranging up to 10 years.

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2023	$ 990	$ 103	$ 1,093
2024	1,020	91	1,111
2025	1,060	79	1,139
2026	968	66	1,034
2027	967	54	1,021
2028-2032	1,958	151	2,109
2033-2037	845	52	897
2038-2042	281	5	286
Total	$ 8,089	$ 601	$ 8,690

ELECTRIC UTILITY:
KEY HISTORICAL OPERATING DATA

Fiscal Year	2021/22	2020/21	2019/20	2018/19	2017/18
POWER SUPPLY MEGAWATT-HOURS (MWH)					
Nuclear					
Palo Verde	101,100	99,800	100,900	100,200	102,900
Coal					
Intermountain Power	453,900	539,200	551,300	677,900	627,100
Hoover (Hydro)	28,000	30,600	27,000	28,600	29,000
Gas					
Springs	600	1,800	700	400	700
RERC	54,400	83,800	68,200	93,900	89,600
Clearwater	13,000	9,800	8,600	13,700	24,200
Renewable resources[1]	1,272,700	1,029,300	922,800	835,500	790,100
Market purchaes	359,200	468,000	558,500	511,500	633,500
Exchanges in	-	-	-	-	-
Exchanges out	-	-	-	-	-
Total	**2,282,900**	**2,262,300**	**2,238,000**	**2,261,700**	**2,297,100**
System peak megawatt (MW)	575.9	630.3	587.2	610.9	640.3
ELECTRIC USE					
Number of meters as of year end					
Residential	99,731	99,226	98,930	98,322	97,531
Commercial[3]	11,922	11,817	11,598	11,537	11,498
Industrial[3]	625	616	581	570	537
Other	50	52	52	51	53
Total	**112,328**	**111,711**	**111,161**	**110,480**	**109,619**
Millions of kilowatt-hours (kWh) sales					
Residential	759	783	723	722	727
Commercial[3]	443	430	442	460	476
Industrial[3]	923	891	931	947	970
Other	19	18	18	21	22
Subtotal	**2,144**	**2,122**	**2,114**	**2,150**	**2,195**
Wholesale[2]	2	-	1	-	-
Total	**2,146**	**2,122**	**2,115**	**2,150**	**2,195**
ELECTRIC FACTS					
Average annual kWh per residential customer	7,632	7,907	7,322	7,375	7,455
Average price (cents/kWh) per residential customer	$ 17.71	$ 17.03	$ 16.77	$ 16.11	$ 15.91
Debt service coverage ratio (DSC)[4,5,6,7]	2.03	1.99	2.62	2.24	2.73
Operating income as a percent of operating revenues	18.6 %	9.6 %	12.1 %	11.4 %	15.3 %
Employees[8]	473	468	466	475	489

[1] As of June 30, 2019, Solar PV included in the Renewable Resources has been restated to include only CEC certified renewables. Fiscal year 17/18 has been reduced by 8,100 MWh.

[2] For fiscal years 17/18, 18/19, and 20/21, wholesale kWh was less than 1 million kWh.

[3] Changes in fiscal years 17/18, 18/19, 19/20 and 20/21 reflect reclassification of certain Industrial and Commercial accounts related to contract accounts.

[4] Interest expense used to calculate DSC is net of federal subsidy on Build America Bonds.

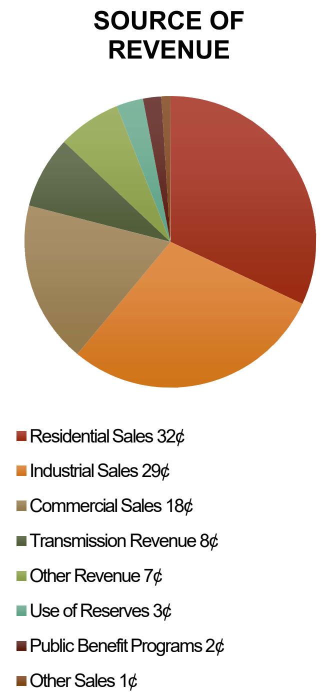
[5] Does not include GASB 68 - Accounting and Financial Reporting for Pension non-cash adjustments of ($16,425), $9,682, $3,364, ($1,323), and $9,056 for fiscal years 21/22 through FY 17/18, respectively.

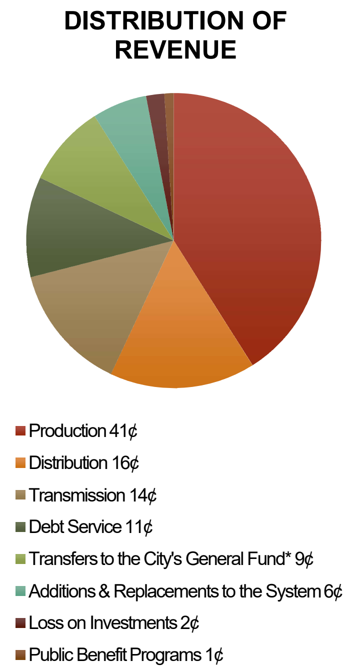
[6] Does not include GASB 75 - Accounting and Financial Reporting for Post-employment Benefits Other than Pensions non-cash adjustments of $530, $183, $490, $300, and $697 for fiscal years 21/22 through 17/18, respectively.

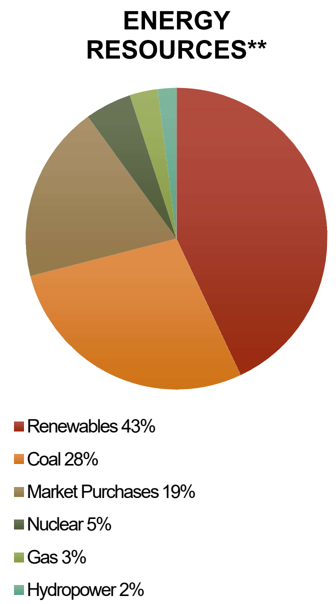
[7] Includes GASB 87 Leases net adjustment of $134 for fiscal year 21/22.

[8] Approved positions

2021/2022 ELECTRIC REVENUE AND RESOURCES



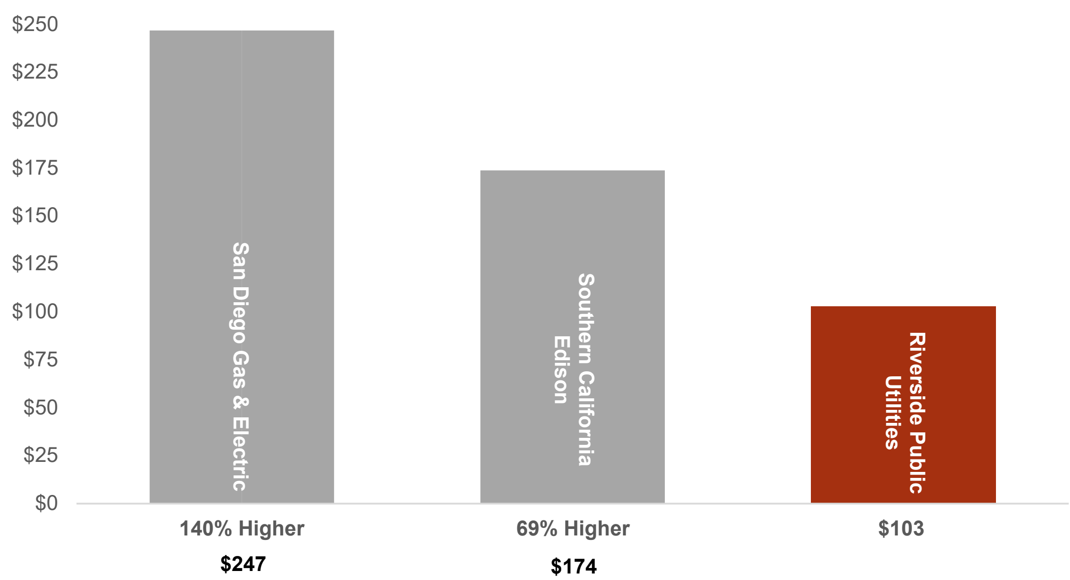




*Based on transfer of 11.5% of fiscal year 2020/2021 gross operating revenues including adjustments.

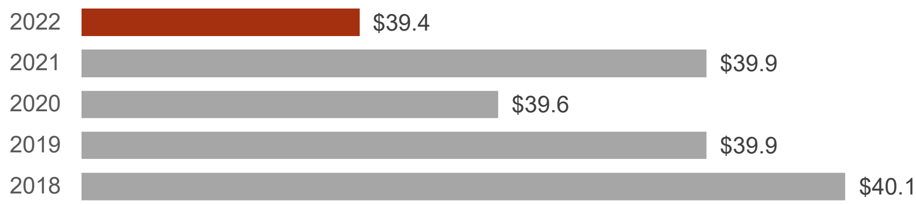
**Energy Resources are based on calendar year 2021 as filed with the California Energy Commission

ELECTRIC RATE COMPARISON - 600 KWH PER MONTH (AS OF JUNE 30, 2022)

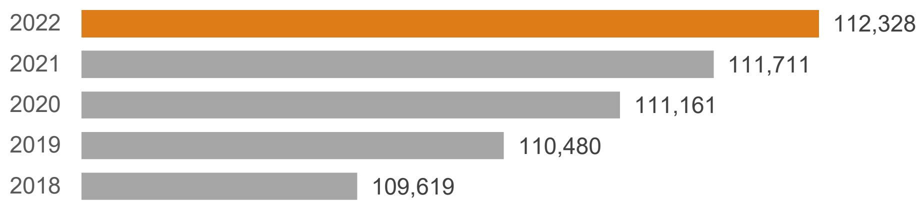


ELECTRIC KEY OPERATING INDICATORS

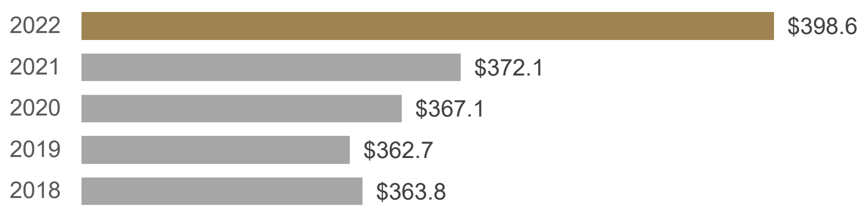
General Fund Transfer (In Millions)



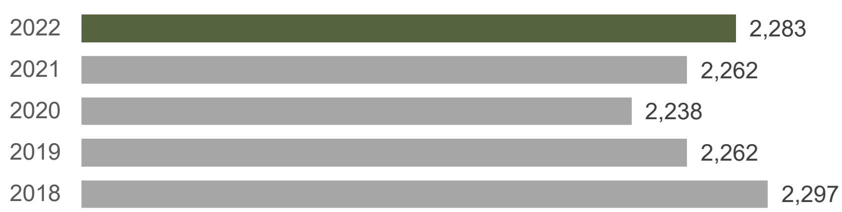
Number of Meters At Year End



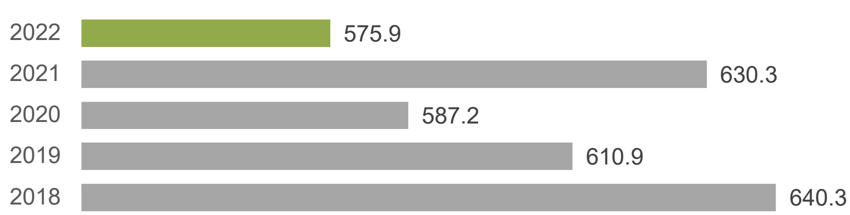
Total Operating Revenue (In Millions)



Production (In Million Kilowatt-Hours)[1]



Peak Day Demand (In Megawatts)



[1] As of June 30, 2019, Solar PV included in the Renewable Resources has been restated to include only CEC certified renewables. Fiscal year 17/18 has been reduced by 8,100 mWh.

ELECTRIC FACTS AND SYSTEM DATA

Established	1895
Service Area Population	317,847
City Service Area Size (square miles)	81.5

System Data

Transmission Lines (circuit miles)	99.2
Distribution Lines (circuit miles)	1,351
Number of Substations	16
2021-22 Peak Day (megawatts) Highest Single Hourly Use: 06/27/2022, 4pm, 96.7 degrees	576
Historical Peak (megawatts) Highest Single Hourly Use: 08/31/2017, 3pm, 89.9 degrees	640

Bond Ratings

Fitch Ratings	AA-
S & P Global Ratings	AA-


DEERE

OUR WATER

RIVERSIDE PUBLIC UTILITIES

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Water Utility Enterprise Fund (Water Utility) of the City of Riverside, California, (the City) as of and for the years ended June 30, 2022, and 2021, and the related notes to the financial statements, which collectively comprise the Water Utility's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Utility Enterprise Fund of the City of Riverside, as of June 30, 2022, and 2021, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Water Utility and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Water Utility Enterprise Fund of the City of Riverside and do not purport to, and do not present fairly the financial position of the City as of June 30, 2022, and 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As described in Note 1 to the financial statements, in the fiscal year ended June 30, 2022, the Water Utility adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Water Utility's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Water Utility's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Water Utility's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Other Reporting Responsibilities

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of content, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the key historical operating date but does not include the basic financial statements and our auditor's report thereon. Our opinions on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

2WKHr 5HSRUWLg ReqXLUHG by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Brea, California
January 26, 2023

WATER UTILITY:
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Riverside Public Utilities, a department of the City of Riverside (the City), we offer the readers this narrative overview and analysis of the 2021-22 financial report for the periods ended June 30, 2022 and 2021 for Riverside's Water Utility (Water Utility), an enterprise fund of the City. We encourage readers to consider the information presented here in conjunction with additional information furnished in our financial statements, which begin on page 91 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- Governmental Accounting Standards Board No. 87, *Leases* (GASB 87) - For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to Notes 1, 3, and 11.
- Retail sales, net of uncollectibles/recovery were $72,452 and $70,847 for the fiscal years ended June 30, 2022 and 2021, respectively. The increase in sales was primarily due to the rate plan increase, offset by the decrease in consumption.
- Total revenue includes the accounting standard for fair market value adjustment of investments, which will continue to fluctuate based on market valuations. The adjustment was $(1,922) and $(534) in June 30, 2022 and 2021, respectively.
- Operating expense reflects a non-cash pension accounting standard adjustment, which will continue to fluctuate based on yearly actuarial information provided by the California Public Employees' Retirement System (CalPERS). The adjustment was $(4,891) and $(1,107) in June 30, 2022 and 2021, respectively.
- Operating expense reflects a non-cash postemployment benefit other than pension (OPEB) accounting standard adjustment, which will continue to fluctuate based on yearly actuarial information provided by CalPERS. The adjustment was $210 and $73 in June 30, 2022 and 2021, respectively.
- Net pension liabilities decreased by $12,203 and net pension assets increased by $8,809, due to the elimination of the CalPERS net pension liability to net pension asset, primarily driven by an increase in investment earnings as of measurement date June 30, 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Water Utility's financial statements. The Water Utility is a department of the City, and its activities are recorded in a separate enterprise fund. These financial statements include only the activities for the Water Utility and provide comparative information for the last two fiscal years. Information on city-wide financial results is available in the City's Annual Comprehensive Financial Report (ACFR).

The Water Utility's financial statements are comprised of two components: 1) financial statements, and 2) notes to the financial statements. In addition, this report also contains other supplementary information to provide the reader with additional information about the Water Utility, including historical sales, operating activities, and other relevant data.

Included as part of the financial statements are three separate statements, which collectively provide an indication of the Water Utility's financial health.

The ***Statements of Net Position*** present information on all of the Water Utility's assets, liabilities, deferred inflows and outflows of resources and net position. The Statements of Net Position provide information about the nature and amount of the Water Utility's resources and obligations at a specific point in time.

The ***Statements of Revenues, Expenses and Changes in Net Position*** report all of the Water Utility's revenues and expenses for the periods shown.

The ***Statements of Cash Flows*** report the cash provided and used by operating activities, as well as other cash sources, such as investment income and debt financing. They also report other cash uses such as payments for bond principal and capital additions and improvements.

WATER UTILITY:
MANAGEMENT'S DISCUSSION AND ANALYSIS

The ***Notes to the Financial Statements*** provide additional information that is essential to a full understanding of the data provided in the Water Utility's financial statements. The Notes to the Financial Statements begin on page 96 of this report.

CORONAVIRUS DISEASE 2019 (COVID-19)

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) spread to a number of countries, including the United States (U.S.). On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California, declared a state of emergency. Potential impacts to the City future tax revenues include disruptions or restrictions on current employees' ability to work. Any of the foregoing could negatively impact revenues and the City currently cannot anticipate all of the ways in which this health epidemic, COVID-19, could adversely impact our government agency. Potential impacts will continue to be monitored.

CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT (CARES)

On March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act into law to provide emergency appropriations during the Coronavirus pandemic. The CARES Act represented the third package of assistance from the federal government, providing $2.2 trillion in economic relief to individuals, families, businesses, and nonprofit organizations. Funding for governments was also included through the creation of the Coronavirus Relief Fund, which allocated $150 billion to various State, local and Tribal governments. The Coronavirus Relief Fund (CRF) was distributed to State, local and Tribal governments based on relative population. Local governments with a population of 500,000 or more were eligible to receive a direct allocation from the CRF. Given the population threshold, the City was not eligible to receive a direct allocation.

Throughout the COVID-19 pandemic, the Big City Mayors (BCM) met with federal and state elected officials to advocate for much needed assistance. As part of this effort, the BCM engaged the State's legislative leaders and Governor to solicit support for the creation of a dedicated funding opportunity for the seven cities (Long Beach, Oakland, Bakersfield, Anaheim, Santa Ana, Riverside, and Stockton) of the coalition that did not receive a direct allocation from the CRF due to population size. This targeted advocacy effort resulted in the inclusion of a specific $225 million set-aside for these seven cities as part of the State budget with the City of Riverside receiving an allocation of approximately $28 million. The CARES Act spending plan was approved by City Council on August 4, 2020 and on July 13, 2021, a final CARES Act expenditure report was presented to City Council.

AMERICAN RESCUE PLAN ACT (ARPA)

On March 11, 2021, President Biden passed the $1.9 trillion American Rescue Plan Act (ARPA) that is sending checks to families and offering small business support to drive up demand and counter the country's high unemployment. The ARPA established Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund, which provides a combined $350 billion in assistance to eligible state, local, territorial, and Tribal governments to assist in the economic and health recovery by providing resources to address impacts resulting from the crisis. The City will receive one-time fund of approximately $73.5 million from ARPA.

STATE FUNDING PROGRAM

The Legislature passed nearly $2 billion in funding to address statewide energy, water, and wastewater utility arrearages. On July 22, 2021, Governor Newsom signed AB 148, which created the California Water and Wastewater Arrearage Management Program (CWWAPP) to administer funding for water/wastewater utility customer arrearages. The State Water Resources Control Board is administrating these programs. The Water Utility applied for CWWAPP assistance on behalf of water customers who incurred a past due balance of 60 days or more on their energy bill during the COVID-19 pandemic relief period covering March 4, 2020, through June 15, 2021. On December 22, 2021, $1.9M in CWWAPP benefits was applied to the Water Utility customer accounts.

As of 2022 City and the Water Utility are continuing to monitor and assess the effects of the COVID-19 pandemic on our government agency and the public. The City and the Water Utility are pursuing all available of programs to assists with impacts of the pandemic. For additional information, refer to the City's "Annual Comprehensive Financial Report."

WATER UTILITY FINANCIAL ANALYSIS

CONDENSED STATEMENTS OF NET POSITION

	2022	2021	2020
Current and other assets	$ 174,574	$ 92,883	$ 92,188
Capital assets	508,310	499,636	499,485
Deferred outflows of resources	9,647	14,528	37,963
Total assets and deferred outflows of resources	692,531	607,047	629,636
Long-term debt outstanding	239,544	250,728	261,353
Other liabilities	32,469	47,195	63,847
Deferred inflows of resources	98,214	764	3,801
Total liabilities and deferred inflows of resources	370,227	298,687	329,001
Net investment in capital assets	293,641	291,541	291,659
Restricted	10,988	10,599	10,186
Unrestricted	17,675	6,220	(1,210)
Total net position	$ 322,304	$ 308,360	$ 300,635

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

2022 compared to 2021 The Water Utility's total assets and deferred outflows of resources were $692,531, reflecting an increase of $85,484 (14.1%) primarily due to the following:

- Current and other assets, comprised of restricted and unrestricted assets, had a net increase of $81,691, primarily due to an increase of $82,983 in lease receivable related to the implementation of GASB 87, an increase of $8,809 in net pension asset as a result of pension accounting standards, and an increase of $6,129 in unrestricted cash and cash equivalents, primarily due to positive operating result, offset by a decrease of $15,442 in restricted cash and cash equivalents due to the use of bond proceeds for capital projects. Additional information on GASB 87 can be found in Note 11.
- Capital assets increased by $8,674 as a result of an increase in additions and improvements to the Water distribution infrastructure system to improve service and reliability to Water Utility's customers, offset by an increase in current years depreciation. Additional capital asset information can be found in the "Capital Assets and Debt Administration" section.
- Deferred outflows of resources decreased by $4,881, primarily due to a decrease of $2,630 in the fair market value of derivatives, a decrease of $1,841 in deferred outflows related to pension as a result of pension accounting standards, and a decrease of $266 in loss on refunding due to the amortization.

2021 compared to 2020 Total assets and deferred outflows of resources were $607,047, reflecting a decrease of $22,589 (3.6%) over prior year. Current and other assets, comprised of restricted and unrestricted assets, had a net increase of $695, primarily due to an increase of $4,441 in accounts receivable and an increase of $4,969 in unrestricted cash and cash equivalents. The increase is offset by a decrease of $8,327 in restricted cash and cash equivalents. Capital assets increased by $151 as a result of an increase in additions and improvements to the Water distribution infrastructure system to improve service and reliability to Water Utility's customers, offset by an increase in current years depreciation. Deferred outflows of resources decreased by $23,435, primarily due to a decrease of $21,698 in deferred outflows related to pension as a result of payment outflow of the 2020 Pension Obligation Bond Series A, and a decrease of $314 in loss on refunding due to the amortization.

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

2022 compared to 2021 The Water Utility's total liabilities and deferred inflows of resources were $370,227, an increase of $71,540 (24.0%) primarily due to the following:

- Long-term debt outstanding decreased by $11,184, primarily due to principal payments on revenue bonds, pension obligation bonds, note payable and financed purchases. Additional debt information can be found in the "Capital Assets and Debt Administration" section.
- Other liabilities decreased by $14,726, primarily due to a decrease of $12,203 in net pension liability due to the elimination of the CalPERS net pension liability to net pension asset, a decrease of $3,037 in derivative instruments due to a decrease in the fair market value of interest rate swaps, and a decrease of $1,202 in unearned revenues with the City of Corona, offset by an increase of $601 in accrued interest payable, an increase of $568 in the current portion of long-term obligations, and an increase in accounts payable and other accruals of $446. Additional information on note payable can be found in Note 4 of the accompanying financial statements.
- Deferred inflows of resources increased by $97,450, primarily due to the implementation of GASB 87, and pension related adjustments, which included the changes in assumptions, the differences between expected and actual experience and the change in projected versus actual earnings on pension plan investments as determined by the plan actuary.

2021 compared to 2020 Total liabilities and deferred inflows of resources were $298,687, reflecting a decrease of $30,314 (9.2%). Long-term debt outstanding decreased by $10,625, primarily due to a decrease in revenue bonds payable, note payable and leases payable. Other liabilities decreased by $16,652, primarily due to decrease of $19,637 in net pension liability, a decrease of $2,091 in derivative instruments due to a decrease in the fair market value of interest rate swaps, offset by an increase of $2,305 in unearned revenues with the City of Corona, an increase in accounts payable and other accruals of $874, and an increase of $714 in the current portion of long-term obligations. Deferred inflows of resources decreased by $3,037, primarily due to pension related adjustments, which included the changes in assumptions, the differences between expected and actual experience and the change in projected versus actual earnings on pension plan investments as determined by the plan actuary.

NET POSITION

2022 compared to 2021 The Water Utility's total net position, which represents the difference between the Water Utility's total assets and deferred outflows of resources less total liabilities and deferred inflows of resources, totaled $322,304, an increase of $13,944 (4.5%).

- The largest portion of the Water Utility's total net position, which is its investment in capital assets of $293,641 (91.1%), had an increase of $2,100 from prior year. Investment in capital assets reflects the Water Utility's investment in treatment, pumping, source of supply, transmission and distribution facilities, less any related outstanding debt used to acquire these assets. Additional capital asset information can be found in the "Capital Assets and Debt Administration" section.
- The restricted portion of net position totaled $10,988 (3.4%), reflecting an increase of $389 and represents resources that are subject to external restrictions on how they may be used. The increase was primarily due to an increase in restricted debt service reserve. Restricted net position is reserved for items such as debt repayment and funds collected for Water Conservation Programs, and other legally restricted assets.
- The unrestricted portion of net position totaled $17,675 (5.5%) an increase of $11,455 from prior year, primarily attributable to positive operating results. Unrestricted net position may be used to meet the Water Utility's ongoing operational needs and obligations to customers and creditors.

2021 compared to 2020 Total net position increased by $7,725 (2.6%), to $308,360. The investment in capital assets of $291,541 (94.5%), had a decrease of $118 and is consistent with prior year. The restricted portion of net position totaled $10,599 (3.4%), reflecting an increase of $413, primarily due to an increase in restricted debt service reserve. Restricted net position is reserved for items such as debt repayment and funds collected for Water Conservation Programs, and other legally restricted assets. The unrestricted portion of net position totaled $6,220 (2%), an increase of $7,430 from prior year, primarily attributable to positive operating results. Unrestricted net position may be used to meet the Water Utility's ongoing operational needs and obligations to customers and creditors.

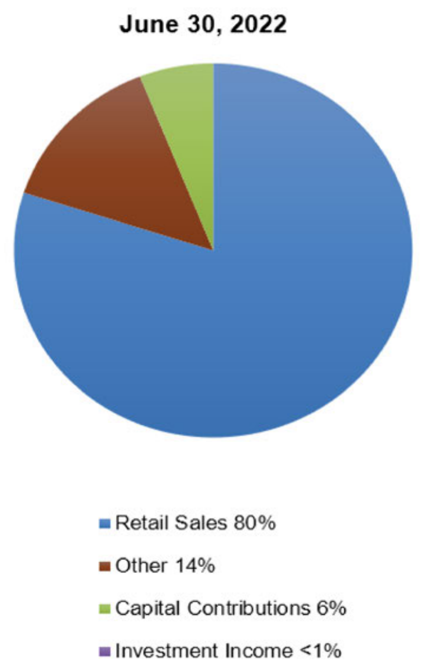
WATER UTILITY:
MANAGEMENT'S DISCUSSION AND ANALYSIS

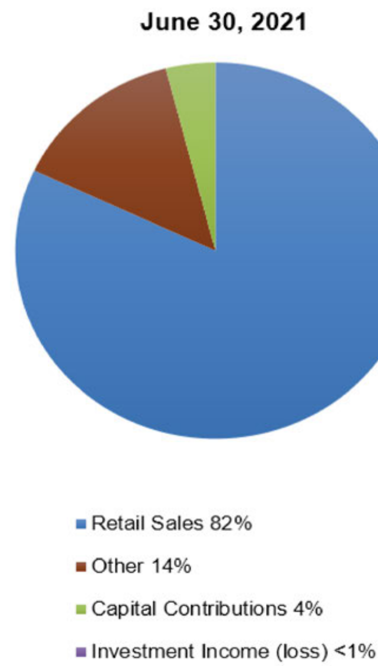
CONDENSED STATEMENTS OF CHANGES IN NET POSITION

	2022	2021	2020
Revenues:			
Retail sales, net	$ 72,452	$ 70,847	$ 61,683
Other revenues	12,336	12,532	10,862
Investment (loss) income	61	(1)	2,073
Capital contributions	5,693	3,062	3,129
Total revenues	90,542	86,440	77,747
Expenses:			
Operations and maintenance	36,366	39,143	41,845
Purchased energy	6,863	6,523	5,583
Depreciation	16,179	16,346	16,010
Amortization	11	-	-
Interest expense and fiscal charges	9,471	9,731	9,857
Total expenses	68,890	71,743	73,295
Transfers:			
Transfers to the City's general fund	(7,708)	(6,972)	(6,518)
Total Transfers	(7,708)	(6,972)	(6,518)
Changes in net position	13,944	7,725	(2,066)
Net position, July 1	308,360	300,635	302,701
Net position, June 30	$ 322,304	$ 308,360	$ 300,635

WATER UTILITY:
MANAGEMENT'S DISCUSSION AND ANALYSIS

REVENUES BY SOURCES





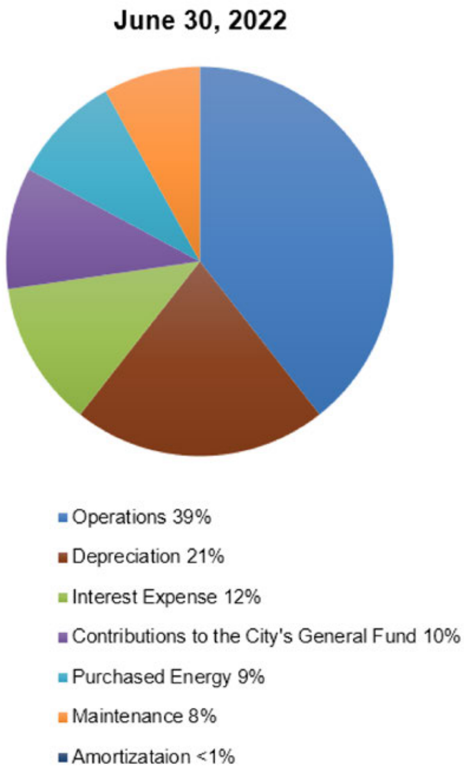
2022 compared to 2021 The Water Utility's total revenues of $90,542 increased by $4,102 (4.7%) primarily due to the following changes:

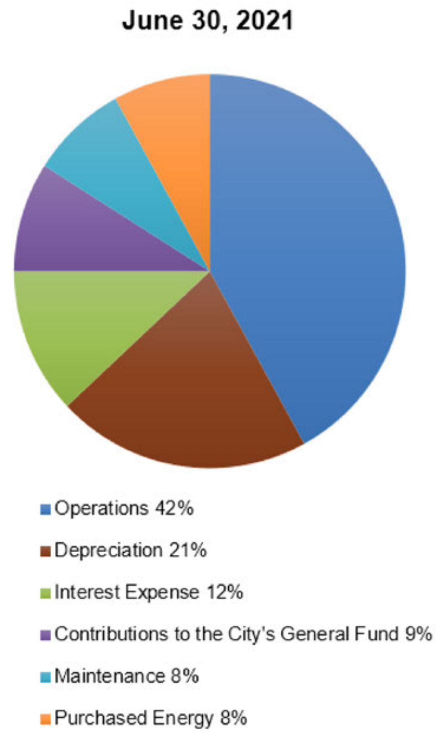
- Retail sales (residential, commercial, industrial, and others), net of uncollectibles/recovery, totaled $72,452, an increase of $1,605 (2.3%) from prior fiscal year. Retail sales continue to be the primary revenue source for the Water Utility. The increase was due to the rate plan increase, offset by a 2.1% decrease in consumption.
- Other revenues of $12,336 decreased by $196 (1.6%), primarily due to a decrease of $2,235 in wholesale water sales, offset by an increase of $1,586 related to the SCE Utility billing indifference settlement related to renewable energy self generation bill and an increase of $608 in water conveyance revenue.
- Capital contribution of $5,693 increased by $2,631 (85.9%), mainly due to the donated assets related to transmission mains, fire hydrants and services.
- Investment income (loss) of $61 increased by $62 (100%) due to the leases interest income related to the implementation of GASB 87, see Note xx for further details.

2021 compared to 2020 The Water Utility's total revenues of $86,440 increased by $8,693 (11.2%) primarily due to the following changes:

- Retail sales (residential, commercial, industrial, and others), net of uncollectibles/recovery, totaled $70,847, an increase of $9,164 (14.9%) from prior fiscal year. Retail sales continue to be the primary revenue source for the Water Utility. The increase was due to the rate plan increase and a 10.32% increase in consumption.
- Other revenues of $12,532 increased by $1,670 (15.4%), primarily due to an increase in water wholesale revenue from Western Municipal Water District (WMWD).
- Capital contribution of $3,062 decreased by $67 (2.1%) and is consistent with prior year.
- Investment income (loss) of ($1) decreased by $2,074 (100%) due to a lower overall interest rate in the current fiscal year and the accounting standard for fair market value adjustment of investments.

EXPENSES BY SOURCES





2022 compared to 2021 The Water Utility's total expenses, excluding general fund transfer, were $68,890, a decrease of $2,853 (4.0%). The decrease was primarily due to the following:

- Operations and maintenance expenses of $36,366 decreased by $2,777 (7.1%), mainly due to a non-cash pension adjustment as a result of pension accounting standards.
- Purchased energy and water expenses of $6,863 increased by $340 (5.2%) from prior year, primarily attributable to an increase in the electric and chemical costs.

2021 compared to 2020 The Water Utility's total expenses, excluding general fund transfer, were $71,743, a decrease of $1,552 (2.1%). The decrease was primarily due to the following:

- Operations and maintenance expenses of $39,143 decreased by $2,702 (6.5%), mainly due to a non-cash pension adjustment of ($1,107) compared to prior year non-cash pension adjustment of $1,046 as a result of pension accounting standards.
- Purchased energy and water expenses of $6,523 increased by $940 (16.8%) from prior year, primarily attributable to an increase in the electric costs.

TRANSFERS

Pursuant to the City's Charter and the voter approval of Measure A on June 4, 2013, the Water Utility may transfer up to 11.5 percent of prior year's gross operating revenues, including adjustments, to the City's general fund. The City uses these funds to help provide needed public services to the residents of the City, including police, fire, parks, libraries and other benefits. The Water Utility transferred $7,708 and $6,972 for 2022 and 2021, respectively based on the gross operating revenue provisions in the City's Charter.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The Water Utility's investment in capital assets includes investments in source of supply, pumping, treatment, transmission and distribution facilities, land, intangibles, construction in progress, and right to use assets as well as general items such as office equipment, furniture, etc.

The following table summarizes the Water Utility's capital assets, net of accumulated depreciation, as of June 30:

	2022	2021	2020
Utility plant			
Source of supply	$ 55,231	$ 54,424	$ 53,648
Pumping	19,445	20,146	18,726
Treatment	25,868	27,122	28,284
Transmission and distribution	333,483	332,467	339,018
General	4,514	3,032	3,486
Land	20,841	20,841	20,841
Intangibles	11,005	11,469	12,141
Construction in progress	37,907	30,135	23,341
Total utility plant	508,294	499,636	499,485
Right to use lease assets			
Machinery and equipment	16	-	-
Total capital assets	$ 508,310	$ 499,636	$ 499,485

2022 compared to 2021 The Water Utility's investment in capital assets, net of accumulated depreciation, was $508,310, an increase of $8,674 (1.74%) from prior year. The increase resulted primarily from the increase in construction in progress. The Water Utility's significant capital projects include the following:

- $10,414 in distribution pipelines, such as main replacements, distribution system facilities replacement and system expansion.
- $5,343 in well projects, such as potable irrigation well replacements and facility rehabilitation.
- $2,722 in distribution facilities, such as pump station replacements and meters.
- $2,190 in well projects, such as potable irrigation well replacements and facility rehabilitation.

2021 compared to 2020 The Water Utility's investment in capital assets, net of accumulated depreciation, was $499,636, an increase of $151 (0.03%) from prior year. The increase resulted primarily from the increase in construction in progress. Significant capital projects included $7,700 in distribution pipelines, $1,211 in well projects, and $2,345 in distribution facilities.

Additional information regarding capital assets can be found in Note 3 of the accompanying financial statements.

WATER UTILITY:
MANAGEMENT'S DISCUSSION AND ANALYSIS

DEBT ADMINISTRATION

The following table summarizes outstanding long-term debt as of June 30:

	2022	2021	2020
Revenue bonds	$ 192,190	$ 198,830	$ 205,165
Unamortized bond premium	17,472	18,476	19,714
Pension obligation bonds	21,287	22,363	23,035
Contracts payable	933	1,067	1,019
Financed purchases	1,218	1,445	1,666
Note payable	16,639	18,138	19,524
Less: Current portion of outstanding debt	(10,195)	(9,591)	(8,770)
Total	$ 239,544	$ 250,728	$ 261,353

The Water Utility's bond indentures require a minimum debt service coverage ratio, as defined by the bond covenants, of 1.25. The Water Utility's debt service coverage ratio was 2.23, 2.25, and 1.80 at June 30, 2022, 2021, and 2020, respectively. The debt is backed by the revenues of the Water Utility. Debt service coverage ratio decreased at June 30, 2022 due to an increase in debt service requirements. For additional information, see Note 4 of the accompanying financial statements and the Key Historical Operating Data section.

2022 compared to 2021 The Water Utility's long-term debt decreased by $11,184 (4.5%) to $239,544 as a result of the current year principal payments and amortization of bond premiums.

2021 compared to 2020 The Water Utility's long-term debt decreased by $10,625 (4.1%) to $250,728 as a result of the principal payments of the 2019A Water Revenue Refunding Bonds, the 2020 Obligation Bond Series A, and note payable.

Additional information on the Water Utility's long-term debt can be found in Note 4 of the accompanying financial statements.

CREDIT RATINGS

The Water Utility maintains credit ratings of “AA+”, “AA+” and “Aa2” from S&P Global Ratings (S&P), Fitch Ratings (Fitch) and Moody's, respectively. These ratings reflect the Water Utility's strong financial performance, advantageous water supply, investments in infrastructure and rate competitiveness, among many other factors.

REGULATORY, LEGISLATIVE FACTORS, AND RATES

Utilities are faced with ongoing regulatory and legislative mandates enacted at the federal and state level that will have significant impacts on the operations of the Water Utility.

The State of California has experienced unprecedented drought conditions in recent years resulting in severe impacts to California's water supplies and its ability to meet all of the demands for water in the State. The Water Utility is very fortunate as a water provider in California in that the Water Utility owns, operates and maintains its own water supply and is not typically dependent on imported water from outside sources. The Water Utility currently has sufficient water supplies to meet customer needs even during severe drought conditions; however, the aquifers the Water Utility draws from are experiencing historic low levels. The Water Utility has responded by continuing to offer a wide variety of water conservation programs for its customers in an effort to conserve its water resources.

The Water Utility continues to offer customers a wide variety of water conservation programs that help reduce their water usage and utility costs, and help the City meet State mandates and be more sustainable. These programs provide rebates for residents and businesses to help them save money by conserving water. In an effort to streamline and automate the rebate process, the City formed a partnership with Metropolitan Water District of Southern California to administer and process rebates for high-efficiency toilets, clothes washers, irrigation controllers and many other water-saving devices.

To further provide comprehensive resources and guidance as to how to implement water efficiency practices at residents and businesses, the Water Utility, in partnership with the City created the Street Park Turf Conversion and Demonstration Garden at the Janet Goeske Center. The Demonstration Garden allows residents and businesses to interact with water conservation materials and techniques that conserve water, elevate customer awareness, increase incentive program participation, provide educational opportunities and demonstrate water conservation best practices.

The Water Utility's water conservation and efficiency programs have assisted the residents and business to save 23,240,249 gallons of water for the period from July 2021 to June 2022.

The Water Utility's long-range water supply planning includes significant contributions of both conservation and recycled water. The behavioral changes instituted through conservation and water use efficiency should have some permanent impact. Changes in landscape patterns and uses will have permanent and on-going impacts to water use. Continuing conservation measures could negatively impact the Water Utility revenues and has been addressed in the recent cost of service analysis conducted by the Water Utility.

WATER CONSERVATION

On November 10, 2009, the Governor signed SBX7-7, which focused on reducing urban (municipal) water use, mainly through reductions in residential potable water use, throughout California. The Water Utility's 2015 Urban Water Management Plan (UWMP) reported its Baseline Water Use and calculated its 2020 Urban Water Use Target. In its 2020 UWMP, the Water Utility demonstrated its compliance with SB X7-7 by showing actual 2020 water use below its 2020 Urban Water Use Target.

On May 31, 2018, Governor Jerry Brown signed long-term water-use efficiency bills Senate Bill 606 and Assembly Bill 1668 into law to establish a long-term foundation for water use efficiency and drought planning.
Under AB 1668 and SB 606, the City must set, meet and report water use objectives for its service area using a water budget-based approach by 2024. In addition, the City must conduct and submit an Annual Water Supply and Demand Assessment report starting in 2022 and a Drought Risk Assessment every 5 years as part of its Urban Water Management Plan.

WATER STANDARDS

The development of new and increasingly stringent drinking water regulations by the California Environmental Protection Agency (CalEPA) and the U.S. Environmental Protection Agency (USEPA) are significantly impacting water supply costs throughout the state and the nation. New chemical and biological contaminants are being discovered through more sophisticated research techniques and improved analytical methods. In addition, public health and environmental agencies are now evaluating how anthropogenic factors are impacting our water supplies. Pesticides, pharmaceuticals, and personal care products are being evaluated at trace levels, which can be orders of magnitude lower than what was achievable 20 years ago. As a result, water treatment costs are increasing as federal and state legislators and regulators try to balance public health risk with affordable water supply costs.

On July 21, 2020, the USEPA published a final action to withdraw the Agency's 2011 regulatory determination to regulate perchlorate after finding that perchlorate did not occur with a frequency and at levels of public health concern within the meaning of the Safe Drinking Water Act, and that development of a regulation did not present a meaningful opportunity for health risk reduction for persons served by public water systems. However, the State of California began regulating perchlorate in 2007 with a MCL set at 6 parts per billion ("ppb") and a detection level for purposes of reporting (DLR) of 4 ppb. Beginning July 1, 2021, the DLR was lowered to 2 ppb and will be lowered to 1 ppb effective January 1, 2024. After data is collected at these lower DLR's evaluation of the perchlorate MCL, and possible need for reduction, will occur. A reduction in the perchlorate standard could impact the Water Utility's water supply costs.

In December 2016, the USEPA completed its third review of existing National Primary Drinking Water Regulations (NPDWR) (i.e., the Six-Year Review 3). The USEPA determined that 68 of the 76 NPDWR remain appropriate (i.e., do not need to be revised) and that eight NPDWRs are candidates for regulatory revision. These eight NPDWRs are included in the Stage 1 and the Stage 2 Disinfectants and Disinfection Byproducts Rules, the Surface Water Treatment Rule, the Interim Enhanced Surface Water Treatment Rule and the Long Term 1 Enhanced Surface Water Treatment Rule. The eight NPDWRs are chlorite, Cryptosporidium, Giardia lamblia, haloacetic acids (HAA5), heterotrophic bacteria, Legionella, total trihalomethanes (TTHM) and viruses. Any revision resulting in the lower of these standards may impact the Water Utility's water supply costs. In June 2020, the USEPA began collecting contaminant occurrence data and treatment technique information for its fourth, six-year review which is anticipated to be completed in 2023.

On December 14, 2017, the State Water Resources Control Board (SWRCB) adopted an MCL for 1,2,3-Trichloropropane ("1,2,3-TCP) of 0.000005 mg/L or 5 parts per trillion (ppt). Water Quality Monitoring was initiated in 2018. To date, seven of the City's potable wells show detections of 1,2,3-TCP that exceed the MCL. These wells extract water from the same aquifers that are contaminated by other known anthropogenic chemicals and are currently being treated by existing GAC treatment facilities.

Perfluorooctanoic acid (PFOA) and perfluorooctane sulfonic acid (PFOS) are fluorinated organic chemicals which are part of a family of compounds referred to as per- and polyfluoroalkyl substances (PFAS). PFAS are synthetic compounds that are water and lipid resistant and are useful for a variety of manufacturing processes and industrial applications. In May 2016, the USEPA issued a lifetime health advisory for PFOA and PFOS in drinking water of a combined level of 70 ppt. In February 2021, the USEPA determined to move forward with the process of implementing a national primary drinking water regulation for PFOA and PFOS. In June 2022, the USEPA released 4 drinking water Health Advisories for PFAS and plans to propose additional PFAS regulations in the fall of 2022. The Health Advisories for GenX and PFBS are 10 and 2,000 ppt respectively. Interim Health Advisories for PFOA and PFOS are 0.004 and 0.02 ppt respectively. In addition, the USEPA proposed designating PFOA and PFOS as hazardous substances under CERCLA which would increase transparency and hold polluters accountable however, could also increase disposal costs for spent GAC or IX media used to remove PFAS.

With respect to California, in August 2019, the SWRCB-DDW established Notification Levels for PFOA and PFOS of 5.1 and 6.5 ppt, respectively, and in February 2020, DDW issued updated drinking water response levels of 10 ppt for PFOA and 40 ppt for PFOS based on a running four-quarter average. On February 6, 2020 the SWRCB tasked OEHHA to set advisory limits for perfluorohexane sulfonic acid (PFHxS), perfluorobutane sulfonic acid (PFBS), perfluorohexanoic acid (PFHxA), perfluoroheptanoic acid (PFHpA), perfluorononanoic acid (PFNA), perfluorodecanoic acid (PFDA), and 4,8-dioxia-3H-perfluorononanoic acid (ADONA), in addition to PFOS and PFOA. On March 5, 2020 PFBS was issued a notification level of 500 ppt and a response level of 5000 ppt, by the SWRCB. In June 2021, the Office of Environmental Health Hazard Assessment (OEHHA) released a draft PHG for PFOA and PFOS at 0.007 ppt and 1 ppt respectively. Following OEHHA's March 2022 recommendations on PFHxS, the SWRCB-DDW is proposing a Notification Level of 3 ppt and a Response Level of 20 ppt that will likely be officially announced in late September of 2022.

The City believes that PFAS have been in the groundwater basins from which the City draws water in very low concentrations for many years. Recent technological advances enabled water agencies to detect PFAS compounds at such low concentrations. The City's goal is to remain below the Notification Levels, which are lower than the Response Level. Many of the City's wells with detections of PFAS also extract water from the same aquifers that are contaminated by other known anthropogenic chemicals and are currently being treated by existing treatment facilities. Beginning fall 2019, the Board approved the expenditure of approximately $850,000 to test new treatment technologies, assess the feasibility of resurrecting an abandoned treatment plant to treat a well field with high levels of PFAS and develop a long-term water treatment strategy. The Board's review and approval of contracts within the original approved project is ongoing.

The Water Utility will continue to monitor the progress of the proposed standard changes and will advocate for standards that protect human health and are based on the best available science.

CLEAN WATER ACT

In April 2020, the US EPA and US Army published the Navigable Waters Protection Rule to define "Waters of the United Sates." The published rule streamlined the definition so that it includes four simple categories of jurisdictional waters, provides clear exclusions for many water features that traditionally have not been regulated, and defines terms in the regulatory text that have never been defined before. This definition was different from that of the 2015 Clean Water Rule which would have expanded the scope of Federal jurisdiction. However, in June 2021, the USEPA and Department of the Army announced their intent to initiate a new rulemaking process that restores the protections in place prior to the 2015 rule and develops a new rule to establish a durable definition of "Waters of the US" that reflects consideration of prior Supreme Court decisions. This rulemaking process follows a review conducted by the agencies as directed by the January 20, 2021 Executive Order 13990 on "Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis." The public comment period closed in February 2022.

FIVE-YEAR WATER RATE PLAN

On May 22, 2018, the City Council approved a new five-year Water Rate Plan, which includes system average annual rate increases. The first annual rate increase was effective July 1, 2018 with the following four years effective on July 1 of each year. The approved five-year Water Rate Plan includes annual reviews of the adopted rates by City Council. The system average rate increase effective July 1, 2018 was 4.50%, followed by system average rate increases of 5.75% in years two through four, and a system average rate increase of 6.50%, effective July 1, 2022, in the final year of the rate plan. The Water Rate Plan included a redesign of water rates over a five-year period to better align with its cost of serving customers and its revenue requirement. The water rate restructuring was designed to provide financial stability and correct the imbalance of costs versus revenue recovery by increasing fixed cost recovery through monthly service charges to reflect the nature of underlying costs. Pursuant to City Council direction, the first annual review of rates was conducted in February 2020 and annual review of rates to be conducted in January of each year thereafter. RPU has commenced a new Water Cost of Service Analysis and Rate Design with anticipation of developing a new proposed five-year Water Rate Plan, which includes system average annual rate increases.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Water Utility's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Assistant General Manager – Business Systems and Customer Service, Riverside Public Utilities, 3750 University Avenue, 3rd floor, Riverside, CA 92501. Additional financial information can also be obtained by visiting www.RiversidePublicUtilities.com.

WATER UTILITY:
FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	June 30, 2022 (in thousands)	June 30, 2021
NON-CURRENT ASSETS		
Capital Assets:		
Utility plant, net of accumulated depreciation (Note 3)	$ 508,294	$ 499,636
Right to use assets, net of amortization (Note 3 & 14)	16	-
Total capital assets	508,310	499,636
Restricted assets:		
Cash and cash equivalents at fiscal agent (Note 2)	4,666	20,108
Total non-current restricted assets	4,666	20,108
Other non-current assets:		
Regulatory assets	880	934
Lease receivable (Note 14)	82,983	-
Net pension asset (Note 6)	8,809	-
Other long-term assets	2,925	3,225
Total other non-current assets	95,597	4,159
Total non-current assets	608,573	523,903
CURRENT ASSETS:		
Unrestricted assets:		
Cash and cash equivalents (Note 2)	49,076	42,947
Accounts receivable, less allowance for doubtful accounts 2022 $917; 2021 $514	13,004	14,420
Accrued interest receivable	248	85
Lease receivable (Note 14)	425	-
Prepaid expenses	199	238
Other current assets	300	300
Total unrestricted current assets	63,252	57,990
Restricted assets:		
Cash and cash equivalents (Note 2)	7,557	7,435
Water Conservation Programs - cash and cash equivalents (Note 2)	3,330	3,039
Water Conservation Programs receivable	172	152
Total restricted current assets	11,059	10,626
Total current assets	74,311	68,616
Total assets	682,884	592,519
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows related to pension (Note 6)	3,080	4,921
Deferred outflow related to other postemployment benefits (Note 7)	727	871
Changes in derivative values	812	3,442
Loss on refunding	5,028	5,294
Total deferred outflows of resources	9,647	14,528
Total assets and deferred outflows of resources	$ 692,531	$ 607,047

See accompanying notes to the financial statements

WATER UTILITY:
FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	June 30, 2022 (in thousands)	June 30, 2021 (in thousands)
NET POSITION:		
Net investment in capital assets	$ 293,641	$ 291,541
Restricted for:		
Debt service (Note 8)	7,557	7,435
Water Conservation Programs	3,431	3,164
Unrestricted	17,675	6,220
Total net position	322,304	308,360
LONG-TERM OBLIGATIONS, LESS CURRENT PORTION (Note 4)	239,544	250,728
OTHER NON-CURRENT LIABILITIES:		
Compensated absences (Note 5)	668	1,120
Net pension liability (Note 6)	-	12,203
Net other postemployment benefits liability (Note 7)	4,286	4,550
Derivative instruments (Note 4)	2,646	5,683
Regulatory liability	4,096	3,689
Lease liability (Note 14)	11	-
Total other non-current liabilities	11,707	27,245
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Accrued interest payable	2,009	1,408
Water Conservation Programs payable	71	28
Current portion of long-term obligations (Note 4)	8,510	7,942
Total current liabilities payable from restricted assets	10,590	9,378
CURRENT LIABILITIES:		
Accounts payable and other accruals	4,410	3,964
Compensated absences (Note 5)	1,905	1,599
Customer deposits	1,022	1,013
Unearned revenue	1,145	2,347
Current portion of long-term obligations (Note 4)	1,685	1,649
Lease liability (Note 14)	5	-
Total current liabilities	10,172	10,572
Total liabilities	272,013	297,923
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows related to pension (Note 6)	14,814	533
Deferred inflows related to other postemployment benefits (Note 7)	562	231
Lease related items (Note 14)	82,838	-
Total deferred inflows of resources	98,214	764
Total net position, liabilities and deferred inflows of resources	$ 692,531	$ 607,047

See accompanying notes to the financial statements

WATER UTILITY:
FINANCIAL STATEMENTS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For the Fiscal Years Ended June 30, 2022	2021
	(in thousands)	
OPERATING REVENUES:		
Residential sales	$ 45,784	$ 44,781
Commercial sales	24,635	23,704
Other sales	2,446	2,357
Water conveyance revenue	3,572	2,964
Water Conservation Programs	1,000	1,067
Other operating revenue	3,098	5,379
Total operating revenues before uncollectibles	80,535	80,252
Estimated uncollectibles, net of bad debt recovery	(413)	5
Total operating revenues, net of uncollectibles	80,122	80,257
OPERATING EXPENSES:		
Operations	29,391	32,037
Maintenance	6,242	6,301
Purchased energy	6,863	6,523
Water Conservation Programs	733	805
Depreciation	16,179	16,346
Amortization	11	-
Total operating expenses	59,419	62,012
Operating income	20,703	18,245
NON-OPERATING REVENUES (EXPENSES):		
Investment (loss) income	61	(1)
Interest expense and fiscal charges	(9,471)	(9,731)
Gain on sale of assets	709	120
Other	3,957	3,002
Total non-operating revenues (expenses)	(4,744)	(6,610)
Income (loss) before capital contributions and transfers	15,959	11,635
Capital contributions	5,693	3,062
Transfers out - contributions to the City's general fund	(7,708)	(6,972)
Total capital contributions and transfers	(2,015)	(3,910)
Change in net position	13,944	7,725
NET POSITION, BEGINNING OF YEAR	308,360	300,635
NET POSITION, END OF YEAR	$ 322,304	$ 308,360

See accompanying notes to the financial statements

WATER UTILITY:
FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

	For the Fiscal Years Ended June 30, 2022	2021
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	$ 80,337	$ 78,233
Cash paid to suppliers for goods and services	(32,039)	(30,757)
Cash paid to employees for services	(15,499)	(14,640)
Net cash provided (used) by operating activities	32,799	32,836
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers out - contributions to the City's general fund	(7,708)	(6,972)
Payment on pension obligation bonds	(1,075)	(672)
Other receipts from non-operating activities	1,496	1,138
Net cash provided (used) by non-capital financing activities	(7,287)	(6,506)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of utility plant	(22,738)	(16,509)
Proceeds from the sale of utility plant	713	132
Principal paid on long-term obligations	(6,867)	(6,557)
Interest paid on long-term obligations	(9,004)	(9,844)
Capital contributions	3,590	3,062
Lease Payments	(5)	-
Net cash provided (used) by capital and related financing activities	(34,311)	(29,716)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Income (loss) from investments	(101)	28
Net increase (decrease) in cash and cash equivalents	(8,900)	(3,358)
Cash and cash equivlanets, beginning of year (including $30,582 and $38,909 at June 30, 2021 and June 30, 2020 respectively, reported in restricted accounts)	73,529	76,887
Cash and cash equivalents, end of year (including $15,553 and $30,582 at June 30, 2022 and June 30, 2021 respectively, reported in restricted accounts)	$ 64,629	$ 73,529

See accompanying notes to the financial statements

WATER UTILITY:
FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

	For the Fiscal Years Ended June 30, 2022	2021
	(in thousands)	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	20,703	18,245
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Depreciation	16,179	16,346
Amortization	11	-
(Increase) decrease in accounts receivable	(227)	(57)
(Increase) decrease in Water Conservation Programs receivable	(20)	12
(Increase) decrease in utility billed receivable	(242)	(1,777)
(Increase) decrease in utility unbilled receivable	39	(359)
(Increase) decrease in intergovernmental receivable	1,846	(2,248)
(Increase) decrease in prepaid items	39	(13)
Increase (decrease) in accounts payable	26	893
Increase (decrease) in accrued payroll	180	(32)
Increase (decrease) in retainage payable	240	8
Increase (decrease) in compensated absences	(146)	436
Increase (decrease) in Water Conservation Programs compensated absences	-	(6)
Increase (decrease) in unearned revenue	(1,202)	2,305
Increase (decrease) in Water Conservation Programs payable	43	18
Increase (decrease) in deposits payable	9	100
Changes in net pension liability (asset) and related deferred inflows (outflows) of resources	(4,890)	(1,108)
Changes in OPEB liability and related deferred outflows and inflows of resources	211	73
Net cash provided (used) by operating activities	$ 32,799	$ 32,836
SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Capital contributions - capital assets	2,103	-
Reduction of note payable including interest, offset by rent credit	1,890	1,864

See accompanying notes to the financial statements

WATER UTILITY:
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Water Utility exists under, and by virtue of, the City of Riverside (the City) Charter enacted in 1883. The Water Utility is responsible for the production, transmission and distribution of water for sale in the City, except for certain areas served by another water utility. The accompanying financial statements present only the financial position and the results of operations of the Water Utility, which is an enterprise fund of the City, and are not intended to present fairly the financial position and results of operations of the City in conformity with generally accepted accounting principles. However, certain disclosures are for the City as a whole, since such information is generally not available for the Water Utility on a separate fund basis. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

BASIS OF ACCOUNTING

The Water Utility uses the accrual basis of accounting as required for enterprise funds with accounting principles generally accepted in the United States of America as applicable to governments. The accounting records of the Water Utility are also in conformity with the Uniform System of Accounts prescribed by the California Public Utilities Commission. The Water Utility is not subject to the regulations of the California Public Utilities Commission.

The Water Utility distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Water Utility are charges to customers for water sales and services. Operating expenses for the Water Utility include the cost of water sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, *Leases* - This Statement defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. It requires recognition of certain lease assets and liabilities, for leases that were previously classified as operating leases, and establishes a single model for lease accounting. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For more discussion relating to the GASB implementations, see the notes in the City's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022.

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019. The Water Utility has implemented GASB 87 in this annual report.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during a reporting period. Accordingly, actual results could differ from those estimates.

REVENUE RECOGNITION

The Water Utility customers are billed monthly. Unbilled water service charges, including the Water Conservation Programs, are recorded at year-end and are included in accounts receivable. Unbilled accounts receivable totaled $3,703 at June 30, 2022, and $3,743 at June 30, 2021.

An allowance for doubtful accounts is maintained for utility and miscellaneous accounts receivable. The balance in this account is adjusted at fiscal year-end to approximate the amount anticipated to be uncollectible.

WATER UTILITY PLANT AND DEPRECIATION

The Water Utility defines capital assets as assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of one year. Utility plant assets are valued at historical costs or estimated historical cost, if actual historical cost is not available. Costs include labor; materials; allocated indirect charges such as engineering,

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

WATER UTILITY PLANT AND DEPRECIATION (CONTINUED)

supervision, construction and transportation equipment; retirement plan contributions and other fringe benefits. Contributed plant assets are valued at estimated fair value on the date contributed. The cost of relatively minor replacements is included in maintenance expense. Intangible assets that cost more than one hundred thousand dollars with useful lives of at least three years are capitalized and are recorded at cost.

Depreciation is recorded over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives are as follows:

Supply, pumping and treatment plant	20-50 years
Transmission and distribution plant	25-50 years
General plant and equipment	5-50 years
Intangibles	5-15 years

RESTRICTED ASSETS

Proceeds of revenue bonds yet to be used for capital projects, as well as certain resources set aside for debt service, are classified as restricted assets on the Statements of Net Position because their use is limited by applicable bond covenants. Proceeds from financed purchase agreements yet to be used for the acquisition of capital equipment are also classified as restricted assets because their use is legally restricted for a specific purpose. Generally, the Water Utility will first apply restricted resources when expenses incurred for which both restricted and unrestricted resources are available.

In June 2004, the Water Utility began collecting a surcharge for Water Conservation Programs. This surcharge was approved by the City Council and was phased in over a three-year period with a 0.5 percent, 1.0 percent and 1.5 percent surcharge effective June 1, 2004, 2005 and 2006, respectively, to be in effect for services rendered on or after June 1, 2004 through May 31, 2014. On April 22, 2014, the City Council approved continuation of the 1.5 percent surcharge effective for the next ten years. The programs and services offered include conservation, education, and water use efficiency programs; and research, development and demonstration programs to advance science and technology with respect to water conservation. The activity associated with the surcharge is reflected in the accompanying financial statements on the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows.

CASH AND INVESTMENTS

In accordance with the Water Utility policy, the Water Utility's cash and investments, except for cash and investments with fiscal agents, are invested in a pool managed by the Treasurer of the City. Cash accounts of all funds are pooled for investment purposes to enhance safety and liquidity, while maximizing interest earnings. The Water Utility does not own specific, identifiable investments of the pool. The pooled interest earned is allocated monthly based on the month end cash balances.

The Water Utility values its cash and investments in accordance with provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, which requires governmental entities to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach or the income approach. Valuation includes a hierarchy of inputs with three distinct levels. Level 1 are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Water Utility does not value any of its investments using level 3 inputs.

City-wide information concerning cash and investments as of June 30, 2022, including authorized investments, fair value measurement and application, custodial credit risk, credit and interest rate risk for debt securities and concentration of investments, carrying amount and market value of deposits and investments can be found in the notes to the City's financial statements in the City's Annual Comprehensive Financial Report.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DESIGNATED CASH RESERVES

The Riverside Public Utilities Cash Reserve Policy establishes several designated cash reserves in the Water Utility for strategic purposes. Designated reserves are set aside for specific purposes determined by the Board of Public Utilities and City Council. Designated reserves may be held for capital or operating purposes.

Designated cash reserve balances as of June 30, 2022 and 2021 were as follows: Property Reserve $5,804 and $5,203, Recycled Water Reserve $1,158 and $1,151, Customer Deposits $832 and $770, and Capital Repair and Replacement Reserve $2,363 and $2,340, respectively. The combined total for these reserves was $10,157 and $9,464 at June 30, 2022 and 2021, respectively and is included as a component of unrestricted cash and cash equivalents in the accompanying Statements of Net Position.

DERIVATIVES

The Water Utility accounts for derivative instruments using GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). This Statement requires the Water Utility to report its derivative instruments at fair value. Changes in fair value for effective hedges are to be reported as deferred inflows and outflows of resources on the Statements of Net Position. Changes in fair value of derivative instruments not meeting the criteria for an effective hedge, or that are associated with investments are to be reported in the non-operating revenues section of the Statements of Revenue, Expenses and Changes in Net Position.

The Water Utility has determined that its interest rate swaps associated with variable rate obligations are derivative instruments under GASB 53. See Note 4 Long-Term Obligations for further discussion related to the Water Utility's interest rate swaps.

BOND PREMIUMS/DISCOUNTS AND GAINS/LOSSES ON REFUNDING

Bond premium/discounts and gains/losses on refunding (including gains/losses related to interest rate swap transactions) are deferred and amortized over the term of the new bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Gains/losses on refunding are reported as deferred inflows or outflows of resources.

CUSTOMER DEPOSITS

The City holds customer deposits as security for the payment of utility bills and plan check fee deposits for future water connection. The Water Utility's portion of these deposits as of June 30, 2022 and 2021 was $1,022 and $1,013, respectively.

COMPENSATED ABSENCES

The accompanying financial statements include accruals for salaries, fringe benefits and compensated absences due to employees at June 30, 2022 and 2021. The Water Utility treats compensated absences due to employees as an expense and a liability of which a current portion is included in accounts payable and other accruals in the accompanying Statements of Net Position. The amount accrued for compensated absences was $2,573 at June 30, 2022, and $2,719 at June 30, 2021.

Employees receive 10 to 25 vacation days per year based upon length of service. A maximum of two years vacation accrual may be accumulated, and unused vacation is paid in cash upon separation.

Employees primarily receive one day of sick leave for each month of employment with unlimited accumulation. Upon retirement or death, certain employees or their estates receive a percentage of unused sick-leave paid in a lump sum based on longevity.

INSURANCE PROGRAMS

The Water Utility participates in a self-insurance program for workers' compensation and general liability coverage that is administered by the City. The Water Utility pays an amount to the City based on actuarial estimates of the amounts needed to fund prior and current year claims and incidents that have been incurred but not reported. The City maintains property insurance on most City property holdings, including the Utility Plant with a shared limit of $1 billion.

City-wide information concerning risks, insurance policy limits and deductibles and designation of general fund balance for

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INSURANCE PROGRAMS (CONTINUED)

risks for the year ended June 30, 2022, may be found in the notes to the City's financial statements in the City's Annual Comprehensive Financial Report.

Although the ultimate amount of losses incurred through June 30, 2022 is dependent upon future developments, management believes that amounts paid to the City are sufficient to cover such losses. Premiums paid to the City by the Water Utility were $975 and $417 for the years ended June 30, 2022 and 2021, respectively. Any losses above the City's reserves would be covered through increased rates charged to the Water Utility in future years.

EMPLOYEE RETIREMENT PLAN

The City contributes to the California Public Employees Retirement System (CalPERS), an agent multiple employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Riverside California Public Employees' Retirement System plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Further details of employee retirement plan can be found in Note 6.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OPEB refers to the benefits, other than pensions, that the City provides as part of an employee's retirement benefits. The net OPEB obligation is defined as the liability of employers contributing to employees for benefits provided through a defined benefit OPEB plan that is administered through a trust. Further details for OPEB can be found in Note 7.

DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

When applicable, the Statements of Net Position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense or expenditure until that time. Deferred outflows of resources consist of changes in derivative values, loss on refunding, and deferred outflows related to pension and OPEB which include pension contributions subsequent to the measurement date, difference between actual and actuarial determined contribution, changes in assumptions and net differences between projected and actual earnings on pension plan investments.

Conversely, deferred inflows of resources represent inflows of resources (acquisition of net position) that apply to future periods, therefore, are not recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of deferred inflows related to pension and OPEB which include changes in assumptions, differences between expected and actual experience, and net differences between projected and actual earnings on pension plan investments.

REGULATORY ASSETS AND DEFERRED REGULATORY CHARGES

In accordance with regulatory accounting criteria set forth in GASB Codification (GASB Statement No. 62), enterprise funds that are used to account for rate-regulated activities are permitted to defer certain expenses and revenues that would otherwise be recognized when incurred, provided that the Water Utility is recovering or expects to recover or refund such amounts in rates charged to its customers. Accordingly, regulatory assets and/or deferred regulatory charges related to debt issuance costs have been recognized in the Statements of Net Position.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET POSITION

The Water Utility's net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources, which is classified into the following three components:

Net investment in capital assets – this component consists of capital assets (net of accumulated depreciation) reduced by the outstanding balance of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, excluding unspent bond proceeds.

Restricted – this component represents restricted assets less liabilities and deferred inflows related to those assets. Restricted assets are recorded when there are limitations imposed by creditors (such as through debt covenants), contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or through enabling legislation.

Unrestricted – this component consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

CONTRIBUTIONS TO THE CITY'S GENERAL FUND

Pursuant to the City of Riverside Charter and the voter approval of Measure A on June 4, 2013, the Water Utility may transfer up to 11.5 percent of prior year's gross operating revenues, including adjustments, to the City's general fund. In fiscal years ended June 30, 2022 and 2021, $7,708 and $6,972, respectively was transferred representing 11.5 percent.

CASH AND CASH EQUIVALENTS

For the Statements of Cash Flows, cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less, and all bond construction proceeds available for capital projects held at fiscal agent. Pooled cash and investments in the City's Treasury represent monies in a cash management pool. Such accounts are similar in nature to demand deposits and are classified as cash equivalents for the purpose of presentation in the Statements of Cash Flows.

BUDGETS AND BUDGETARY ACCOUNTING

The Water Utility presents, and the City Council adopts, a biennial budget. The proposed budget includes estimated expenses and forecasted revenues. The City Council normally adopts the Water Utility's budget in June biennially via resolution, however due to the shift from an incremental budget methodology to a priority-based budgeting methodology in FY 2022/23, the City adopted a one-year budget for FY 2021/22.

LEASES

Leases are defined by the general government as the right to use an underlying asset. As lessee, the Water Utility recognizes a lease liability and an intangible right-of-use lease asset at the beginning of a lease period unless the lease is considered a short-term lease or transfers ownership of the underlying asset. Right-of-use lease assets are measured based on the net present value of the future lease payments at inception, using the weighted average cost of capital, which approximate the incremental borrowing rate. Re-measurement of a lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability. The Water Utility calculates the amortization of the discount on the lease liability and report that amount as outflows of resources. Payments are allocated first to accrued interest liability and then to the lease liability. Variable lease payments based on the usage of the underlying assets are not included in the lease liability calculations but are recognized as outflows of resources in the period in which the obligation was incurred. As lessor, the Water Utility recognizes a lease receivable. The lease receivable is measured using the net present value of future lease payments to be received for the lease term and deferred inflow of receivables at the beginning of the lease term. Periodic amortization of the discount on the receivable are reported as interest revenue for that period. Deferred inflows of resources are recognized as inflows on a straight-line basis over the term of the lease. This recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. Any initial direct costs are reported as an outflow of resources for that period. Re-measurement of lease receivables occur when there are modifications, including but not limited to changes in the contract price, lease term, and adding or removing an underlying asset to the lease agreements. In the case of a partial or full lease termination, the carrying value of the lease receivable and the related deferred inflow of resources will be reduced and will include a gain or loss for the difference. For lease contracts that are short-term, the

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (CONTINUED)

Water Utility recognizes short-term lease payments as inflows of resources (revenues) based on the payment provisions of the lease contract. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period. Additional disclosures regarding regulated leases are in Note 11.

NET POSITION RESTATEMENT

Effective July 1, 2021, the Water Utility adopted GASB's No. 87 – *Leases*, using the facts and circumstances that existed at the beginning of the period of implementation. The standard requires that it is applied retroactively unless it is impractical to do so. Due to the sheer number of leases the Water Utility considered it impractical to do so. As a result, there was no impact to the Water Utility's beginning net position upon adoption of the new accounting standard.

RECLASSIFICATIONS

Certain reclassifications have been made to prior year's financial statements to conform with the current year's presentation. Such reclassifications have no effect on the net position or the changes in net position.

NOTE 2. CASH AND INVESTMENTS

Cash and investments at June 30, 2022 and 2021, consist of the following (in thousands):

	June 30, 2022	June 30, 2021
	Fair Value	
Equity interest in City Treasurer's investment pool	$ 59,963	$ 53,421
Cash and cash equivalents at fiscal agent	4,666	20,108
Total cash and investments	$ 64,629	$ 73,529

The amounts above are reflected in the accompanying financial statements as:

	June 30, 2022	June 30, 2021
Unrestricted cash and cash equivalents	$ 49,076	$ 42,947
Restricted cash and cash equivalents	10,887	10,474
Restricted cash and cash equivalents at fiscal agent	4,666	20,108
Total cash and investments	$ 64,629	$ 73,529

The investment types in the tables below related to the Water Utility's investments in the City Treasurer's investment pool represent the Water Utility's prorated share of the investment types in the investment pool and do not represent ownership interests in the individual investments.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

The Water Utility categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Water Utility has the following recurring fair value measurements as of June 30, 2022 and 2021:

Investment Type	June 30, 2022 Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments not Subject to Fair Value Hierarchy
Held by fiscal agent					
Money market funds	$ 4,666	$ -	$ -	$ -	$ 4,666
City Treasurer's investment pool[1]					
Money market funds	1,663	-	-	-	1,663
Joint powers authority pools	9,334	9,334	-	-	-
Local agency investment fund	7,092	-	-	-	7,092
Mortgage pass-through securities	2,345	-	2,345	-	-
Asset-backed securities	4,743	-	4,743	-	-
US Treasury obligations	13,540	-	13,540	-	-
Federal agency obligations	8,005	-	8,005	-	-
Medium-term corporate notes	10,519	-	10,519	-	-
Supranational securities	2,441	-	2,441	-	-
Negotiable certificate of deposit	281	-	281	-	-
Total	$ 64,629	$ 9,334	$ 41,874	$ -	$ 13,421

Investment Type	June 30, 2021 Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments not Subject to Fair Value Hierarchy
Held by fiscal agent					
Money market funds	$ 20,108	$ -	$ -	$ -	$ 20,108
City Treasurer's investment pool[1]					
Money market funds	513	-	-	-	513
Joint powers authority pools	8,825	8,825	-	-	-
Local agency investment fund	9,705	-	-	-	9,705
Morgage pass-through securities	2,169	-	2,169	-	-
Asset backed securities	1,638	-	1,638	-	-
US Treasury obligations	11,714	-	11,714	-	-
Federal agency obligations	8,701	-	8,701	-	-
Medium-term corporate notes	7,695	-	7,695	-	-
Supranational securities	1,849	-	1,849	-	-
Negotiable certificate of deposit	612	-	612	-	-
Total	$ 73,529	$ 8,825	$ 34,378	$ -	$ 30,326

[1]Additional information on investment types, fair value measurement, interest rate risk and credit risk may be found in the notes to the City's financial statements in the City's Annual Comprehensive Financial Report.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Cash and investments distribution by maturities as of June 30, 2022 and 2021, are as follows:

Investment Type	June 30, 2022 Fair Value	Remaining Maturity (in Months) 12 Months or Less	13 to 36 Months	37 to 60 Months
Held by fiscal agent				
Money market funds	$ 4,666	$ 4,666	$ -	$ -
City Treasurer's investment pool[1]				
Money market funds	1,663	1,663	-	-
Joint powers authority pools	9,334	9,334	-	-
Local agency investment fund	7,092	7,092	-	-
Mortgage pass-through securities	2,345	654	1,365	326
Asset-backed securities	4,743	-	2,544	2,199
US Treasury obligations	13,540	1,628	6,576	5,336
Federal agency obligations	8,005	1,248	5,017	1,740
Medium-term corporate notes	10,519	482	4,727	5,310
Supranational securities	2,441	-	848	1,593
Negotiable certificate of deposit	281	281	-	-
Total	$ 64,629	$ 27,048	$ 21,077	$ 16,504

Investment Type	June 30, 2021 Fair Value	Remaining Maturity (in Months) 12 Months or Less	13 to 36 Months	37 to 60 Months
Held by fiscal agent				
Money market funds	$ 20,108	$ 20,108	$ -	$ -
City Treasurer's investment pool[1]				
Money market funds	513	513	-	-
Joint powers authority pools	8,825	8,825	-	-
Local agency investment fund	9,705	9,705	-	-
Mortgage pass-through securities	2,169	721	1,332	116
Asset-backed securities	1,638	-	465	1,173
US Treasury obligations	11,714	1,787	7,490	2,437
Federal agency securities	8,701	992	3,190	4,519
Medium-term corporate notes	7,695	1,188	1,458	5,049
Supranational securities	1,849	-	-	1,849
Negotiable certificate of deposit	612	612	-	-
Total	$ 73,529	$ 44,451	$ 13,935	$ 15,143

[1]Additional information on investment types, fair value measurement, interest rate risk and credit risk may be found in the notes to the City's financial statements in the City's Annual Comprehensive Financial Report.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Presented below is the actual rating as of June 30, 2022 and 2021 for each investment type:

Investment Type	June 30, 2022 Fair Value	Rating as of Year End AAA	AA	A	Unrated
Held by Fiscal Agent					
Money Market Funds	$ 4,666	$ -	$ -	$ -	$ 4,666
City Treasurer's investment pool[1]					
Money market funds	1,663	1,297	-	-	366
Joint powers authority pools	9,334	-	-	-	9,334
Local agency investment fund	7,092	-	-	-	7,092
Mortgage pass-through securities	2,345	2,345	-	-	-
Asset-backed securities	4,743	3,777	-	-	966
US Treasury obligations	13,540	13,540	-	-	-
Federal agency obligations	8,005	8,005	-	-	-
Medium-term corporate notes	10,519	-	3,733	5,740	1,046
Supranational securities	2,441	1,262	-	-	1,179
Negotiable certificate of deposit	281	-	-	281	-
Total	$ 64,629	$ 30,226	$ 3,733	$ 6,021	$ 24,649

Investment Type	June 30, 2021 Fair Value	Rating as of Year End AAA	AA	A	Unrated
Held by fiscal agent					
Money market funds	$ 20,108	$ -	$ -	$ 20,108	$ -
City Treasurer's investment pool[1]					
Money market funds	513	179	-	-	334
Joint powers authority pools	8,825	8,825	-	-	-
Local agency investment fund	9,705	-	-	-	9,705
Mortgage pass-through securities	2,169	2,169	-	-	-
Asset backed securities	1,638	1,331	-	-	307
US Treasury obligations	11,714	11,714	-	-	-
Federal agency obligations	8,701	8,354	-	-	347
Medium-term corporate notes	7,695	-	2,795	4,274	626
Supranational securities	1,849	1,247	-	-	602
Negotiable certificate of deposit	612	-	-	-	612
Total	$ 73,529	$ 33,819	$ 2,795	$ 24,382	$ 12,533

[1]Additional information on investment types, fair value measurement, interest rate risk and credit risk may be found in the notes to the City's financial statements in the City's Annual Comprehensive Financial Report.

NOTE 3. CAPITAL ASSETS

The following is a summary of changes in utility plant and right to use assets during the fiscal years ended June 30, 2022 and 2021 (in thousands):

	Balance As of 6/30/2020	Additions	Retirements/ Transfers	Balance As of 6/30/2021	Additions	Retirements/ Transfers	Balance As of 6/30/2022
Source of supply	$ 75,428	$ 2,674	$ -	$ 78,102	$ 2,784	$ -	$ 80,886
Pumping	33,032	2,130	-	35,162	51	-	35,213
Treatment	44,652	116	-	44,768	26	-	44,794
Transmission and distribution	530,998	4,746	(224)	535,520	12,358	(8,222)	539,656
General	16,743	-	(285)	16,458	1,970	(153)	18,275
Intangible	4,171	-	-	4,171	10	-	4,181
Depreciable utility plant	705,024	9,666	(509)	714,181	17,199	(8,375)	723,005
Less accumulated depreciation							
Source of supply	(21,780)	(1,898)	-	(23,678)	(1,977)	-	(25,655)
Pumping	(14,306)	(710)	-	(15,016)	(752)	-	(15,768)
Treatment	(16,368)	(1,278)	-	(17,646)	(1,280)	-	(18,926)
Transmission and distribution	(191,980)	(11,282)	209	(203,053)	(11,338)	8,218	(206,173)
General	(13,257)	(454)	285	(13,426)	(487)	152	(13,761)
Intangible	(2,953)	(724)	-	(3,677)	(344)	-	(4,021)
Accumulated depreciation	(260,644)	(16,346)	494	(276,496)	(16,178)	8,370	(284,304)
Net depreciable utility plant	444,380	(6,680)	(15)	437,685	1,021	(5)	438,701
Land	20,841	-	-	20,841	-	-	20,841
Intangible, non-amortizable	10,923	52	-	10,975	-	(130)	10,845
Construction in progress	23,341	16,459	(9,665)	30,135	22,864	(15,092)	37,907
Nondepreciable utility plant	55,105	16,511	(9,665)	61,951	22,864	(15,222)	69,593
Total utility plant, net	499,485	9,831	(9,680)	499,636	23,885	(15,227)	508,294
Right to use assets, being amortized [1]							
Machinery and equipment-Intangible	$ -	$ -	$ -	$ -	$ 21	$ -	$ 21
Total right to use assets	-	-	-	-	21	-	21
Less lease accumulated amortization							
Machinery and equipment-Intangible	-	-	-	-	(5)	-	(5)
Total lease accumulated amortization	-	-	-	-	(5)	-	(5)
Total right to use lease assets, net	$ -	$ -	$ -	$ -	$ 16	$ -	$ 16
Total capital assets being depreciated, net	$ 499,485	$ 9,831	$ (9,680)	$ 499,636	$ 23,901	$ (15,227)	$ 508,310

[1]GASB 87 *Leases* was implemented effective July 1, 2021. For additional information, refer to Notes 1 and 11.

NOTE 4. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations during the fiscal years ended June 30, 2022 and 2021 (in thousands):

	Balance As of 6/30/2020	Additions	Reductions	Balance As of 6/30/2021	Additions	Reductions	Balance As of 6/30/2022	Due Within One Year
Revenue bonds	$ 224,879	$ -	$ (7,573)	$ 217,306	$ -	$ (7,644)	$ 209,662	$ 6,915
Pension obligation bonds	23,035	-	(672)	22,363	-	(1,076)	21,287	1,363
Direct Borrowings:								
Financed purchases	1,666	-	(221)	1,445	-	(227)	1,218	232
Notes payable	19,524	-	(1,386)	18,138	-	(1,499)	16,639	1,535
Contracts payable - Water stock acquisition rights	1,019	52	(4)	1,067	-	(134)	933	150
Total long-term obligations	$ 270,123	$ 52	$ (9,856)	$ 260,319	$ -	$ (10,580)	$ 249,739	$ 10,195

Long-term debt consists of the following (in thousands):

CONTRACTS PAYABLE

	June 30, 2022	June 30, 2021
Water Stock Acquisitions: Payable to various water companies	$ 933	$ 1,067
Total contracts payable	933	1,067

PENSION OBLIGATION BONDS PAYABLE

	June 30, 2022	June 30, 2021
$31,960 2017 Taxable Pension Obligation Bonds Series A: fixed rate bonds issued by the City due in annual installments from $2,910 to $3,580 through June 2027, with coupons from 1.3 to 3.1 percent. The Water Utility's proportional share of the outstanding debt is 10.7 percent.	$ 1,807	$ 2,141
$201,080 2020 Taxable Pension Obligation Bonds Series A (Miscellaneous): fixed rate bonds issued by the City due in annual installments from $1,285 to $14,625 through June 2045, with coupons from 1.6 to 3.9 percent. The Water Utility's proportional share of the outstanding debt is 10.2 percent.	19,480	20,222
Total pension obligation bonds payable	21,287	22,363

REVENUE BONDS PAYABLE

	June 30, 2022	June 30, 2021
$67,790 2009 Water Revenue Series B Bonds: fixed rate, federally taxable, Build America Bonds due in annual principal installments from $2,475 to $4,985 from October 1, 2021 through October 1, 2039, interest from 3.3 to 4.1 percent.	$ 65,315	$ 67,790
$59,000 2011 Water Revenue/Refunding Series A Bonds: variable rate bonds due in annual principal installments from $2,375 to $3,950 through October 1, 2035. Interest rate is subject to weekly repricing (net interest rate, including swaps, at June 30, 2019 was 3.2 percent). Partially refunded $26,900 on April 1, 2019 with 2019A Water Refunding Bonds.	24,050	24,050
$114,229 2019 Water Revenue Refunding Series A Bonds: fixed rate bonds due in annual principal installments from $1,680 to $8,455 through October 1, 2048, interest of 5.0 percent.	102,825	106,990
Total water revenue bonds payable	192,190	198,830
Total water revenue bonds, pension obligation bonds and contracts payable	214,410	222,260
Unamortized bond premium	17,472	18,476
Total water revenue bonds, pension obligation bonds and contracts payable, including bond premium	231,882	240,736
Less current portion	(8,428)	(7,865)
Total long-term water revenue bonds, pension obligation bonds and contracts payable	$ 223,454	$ 232,871

NOTE 4. LONG-TERM OBLIGATIONS (CONTINUED)

The Water Utility is obligated to pay its share of the City's pension obligation bonds, which the City issued in 2005 and refinanced a portion in May 2017. The bond proceeds were deposited with CalPERS to fund the unfunded actuarial accrued liability for non-safety employees.

In fiscal year ended June 30, 2020, the City issued $432,165 2020 Taxable Pension Obligation Bonds Series A. The bonds were issued to reduce the City's unfunded pension liability in both the City's Miscellaneous and Safety CalPERS plans. It is estimated the issuance will save the City's General Fund $7.6M in pension costs in FY 2022 with a projected overall savings of $178.5 million through the life of the bonds. The fixed rate bonds issued by the City due in annual installments from $1,285 to $14,625 through June 2045, with coupons from 1.6 to 3.9 percent. The Water Utility's proportional share of the miscellaneous plan is 10.2 percent.

The Water Utility's proportional share of the outstanding principal amount of both pension obligation bonds was $21,287 and $22,363 as of June 30, 2022 and 2021, respectively. For more discussion relating to the City's pension obligation bond issuance, see the notes to the City's financial statements in the City's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022.

Remaining pension obligation bond debt service payments will be made from revenues of the Water Fund. Annual debt service requirements to maturity as of June 30, 2022 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2023	$ 1,363	$ 670	$ 2,033
2024	1,640	642	2,282
2025	1,815	605	2,420
2026	1,867	562	2,429
2027-2031	5,326	2,200	7,526
2032-2036	4,956	1,414	6,370
2037-2041	3,916	501	4,417
2042-2046	404	20	424
Total	$ 21,287	$ 6,614	$ 27,901

All water revenue bonds are covenanted per the Amended and Restated Resolution No. 17664 (Water) Master Resolution that upon the occurrence and continuation of an event of default, the owners of 25% in aggregate amount of Bond Obligation may, by written notice to the City, declare the entire unpaid principal and accreted value of the bonds due and payable should the City fail to pay its debts as they become due or upon the entry of any decree or order of bankruptcy of the City.

Remaining revenue bond debt service payments will be made from revenues of the Water Fund. Annual debt service requirements to maturity as of June 30, 2022 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2023	$ 6,915	$ 8,491	$ 15,406
2024	7,215	8,167	15,382
2025	7,540	7,823	15,363
2026	7,875	7,463	15,338
2027-2031	44,900	31,365	76,265
2032-2036	53,675	20,917	74,592
2037-2041	46,400	8,598	54,998
2042-2046	10,225	3,189	13,414
2047-2051	7,445	571	8,016
Premium	17,472	-	17,472
Total	$ 209,662	$ 96,584	$ 306,246

NOTE 4. LONG-TERM OBLIGATIONS (CONTINUED)

The Water Utility has a number of debt issuances (revenue bonds) outstanding that are collateralized by the pledging of water revenues. The amount and term of the remainder of these commitments are indicated in the revenue bonds payable and annual debt service requirements to maturity tables presented within this Note 4. The purpose of the debt issuances was for the financing of various Water Utility capital improvement projects. For June 30, 2022 and 2021, debt service payments as a percentage of the pledged gross revenue, net of certain expenses where so required by the debt agreement, are indicated in the table below. The debt service coverage ratios also approximate the relationship of the debt service to pledged revenue for the remainder of the term of the commitment.

Fiscal Year Ended	Description of Pledged Revenues	Annual Amount of Pledged Revenue (net of expenses) [1, 2, 3]	Annual Debt Service Payments	Debt Service Coverage Ratio
June 30, 2022	Water revenues	$ 37,986	$ 17,069	2.23
June 30, 2021	Water revenues	$ 37,614	$ 16,692	2.25

[1]Excludes GASB 68 Accounting and Financial Reporting for Pension non-cash adjustments of $(4,891) and $(1,107) for June 30, 2022 and 2021, respectively.

[2]Excludes GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions non-cash adjustments of $210 and $73 for June 30, 2022 and 2021, respectively.

[3]Includes GASB 87 *Leases* net adjustment of $708 for June 30, 2022.

LINE OF CREDIT

On February 1, 2019, the City entered into a subordinate line of credit agreement with U.S. Bank, National Association. The Subordinate Line of Credit is a tool approved through the Electric and Water Utility Five-Year Rate Plan to manage rate increases by enabling the Water Utility to reduce cash levels while maintaining compliance with the Riverside Public Utilities Cash Reserve Policy. Under the terms and conditions of the agreement, the City may borrow up to $25,000 for purposes of the capital or operating financial needs of the Water System. These agreements were extended another three and a half years in January 2022. There were no borrowings against the line as of June 30, 2022.

INTEREST RATE SWAPS ON REVENUE BONDS

The Water Utility has one cash flow hedging derivative instrument, which is a pay-fixed swap. The swap was employed as a hedge against debt that was refunded in 2008 and 2011. At the time of the refunding, hedge accounting ceased to be applied. The balance of the deferral account for the swap is included as part of the deferred loss on refunding associated with the new bonds. The swap was also employed as a hedge against the new debt. Hedge accounting was applied to that portion of the hedging relationship, which was determined to be effective. The negative fair value of the interest rate swaps related to the new hedging relationship has been recorded and deferred on the Statements of Net Position.

A summary of the derivative activity for the year ended June 30, 2022 is as follows:

	Notional Amount	Fair Value as of June 30, 2022	Change in Fair Value for Fiscal Year
2011 Water Refunding/Revenue Bonds Series A	$ 24,050	$ (2,646)	$ 3,037

Objective: In order to lower borrowing costs as compared to fixed-rate bonds, the Water Utility entered into an interest rate swap agreement in connection with its $59,000 2011 Water Refunding/Revenue Series A Bonds.

Terms: Per the existing swap agreement, the Water Utility pays the counterparty a fixed payment and receives a variable payment computed as 62.68 percent of the London Interbank Offering Rate ("LIBOR") one-month index plus 12 basis points. The swap has a notional amount equal to the principal amount stated above. The notional value of the swap and principal amount of the associated debt decline by $1,475 to $3,950 until the debt is completely retired in fiscal year 2036.

NOTE 4. LONG-TERM OBLIGATIONS (CONTINUED)

INTEREST RATE SWAPS ON REVENUE BONDS (CONTINUED)

The bonds and the related swap agreement for the 2011 Water Refunding/Revenue Series A Bonds mature on October 1, 2035. As of June 30, 2022, rates were as follows:

Interest rate swap:	Terms	Rates
Fixed payment to counterparty	Fixed	3.20000 %
Variable payment from counterparty	62.68 LIBOR + 12bps	(0.55160)%
Net interest rate swap payments		2.64840 %
Variable-rate bond coupon payments		0.53877 %
Synthetic interest rate on bonds		3.18717 %

Fair value: As of June 30, 2022, in connection with the swap agreement, the transactions had a total negative fair value of $(2,646). Because the coupons on the Water Utility's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was developed by a pricing service using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Credit risk: As of June 30, 2022, the Water Utility was not exposed to credit risk because the swap had a negative fair value. The swap counterparty, J.P. Morgan Chase & Co. was rated A- by Standard & Poor's (S&P). To mitigate the potential for credit risk, the swap agreement requires the fair value of the swap to be collateralized by the counterparty with U.S. Government securities if the counterparty's rating decreases to negotiated trigger points. Collateral would be posted with a third-party custodian. At June 30, 2022, there is no requirement for collateral posting for the outstanding swap.

Basis risk: As noted above, the swap exposes the Water Utility to basis risk should the relationship between LIBOR and the variable interest rates converge, changing the synthetic rate on the bonds. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized.

Termination risk: The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event." That is, a swap may be terminated by the Water Utility if the counterparty's credit quality falls below "BBB-" as issued by S&P. The Water Utility or the counterparty may terminate a swap if the other party fails to perform under the terms of the contract. If a swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination a swap has a negative fair value, the Water Utility would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt: As of June 30, 2022, the debt service requirements of the variable- rate debt and net swap payments, assuming current interest rates remain the same for their term, are summarized as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30,	Variable-Rate Bonds Principal	Interest	Interest Rate Swaps, Net	Total
2023	$ -	$ 133	$ 656	$ 789
2024	-	133	656	789
2025	-	133	656	789
2026	-	133	656	789
2027	-	133	656	789
2028-2032	10,200	570	2,800	13,570
2033-2037	13,850	148	727	14,725
Total	$ 24,050	$ 1,383	$ 6,807	$ 32,240

NOTE 4. LONG-TERM OBLIGATIONS (CONTINUED)

NOTE PAYABLE

Note payable consists of several agreements with Harvest A OSR, LLC, Stockbridge NLP, LLC, and related entities (collectively Hillwood) for their development of logistic centers located in the City of San Bernardino. As a part of these agreements, the Water Utility leases land to Hillwood and also purchased land from Hillwood with a subsequent lease-back to the entity. In addition, the agreements require Hillwood to relocate wells located on the properties as well as terminate an existing lease. In consideration of the cost of the land purchase, well relocations and lease termination, the Water Utility will make payments to Hillwood in the form of a credit with Hillwood's rental payments to the Water Utility for the first 15 years of the leases. These agreements resulted in a total liability to the Water Utility of $16,639, as of June 30, 2022.

Estimated annual rent credits, which are adjusted annually based on Consumer Price Index (CPI), to be applied to the land purchase and well relocation agreements commencing in 2014 with an effective interest rate of 3.35 percent, are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2023	$ 953	$ 329	$ 1,282
2024	1,034	294	1,328
2025	1,119	257	1,376
2026	1,209	216	1,425
2027	1,304	173	1,477
2028-2030	4,252	223	4,475
Total	$ 9,871	$ 1,492	$ 11,363

Estimated annual rent credits, which are adjusted annually based on CPI, to be applied to the well relocation agreement commencing in 2018 with an effective interest rate of 3.00 percent, are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2023	$ 282	$ 107	$ 389
2024	290	98	388
2025	300	89	389
2026	309	79	388
2027	319	70	389
2028-2032	1,755	189	1,944
2033	288	4	292
Total	$ 3,543	$ 636	$ 4,179

Annual rent credits to be applied for the lease termination agreement commencing in 2018, are as follows (in thousands):

Fiscal Year Ending	Principal	Interest	Total
2023	$ 300	$ -	$ 300
2024	300	-	300
2025	300	-	300
2026	300	-	300
2027	300	-	300
2028-2032	1,500	-	1,500
2033	225	-	225
Total	$ 3,225	$ -	$ 3,225

NOTE 4. LONG-TERM OBLIGATIONS (CONTINUED)

FINANCED PURCHASES

In fiscal year ended June 30, 2017, the Water Utility participated in the City's purchase financing program for the acquisition of water system heavy vehicles and equipment. The heavy vehicles and equipment financed purchases are for a ten-year term of annual payments with an interest rate of 2.36 percent. Gross proceeds of $2,305 were received for the financing. The total liability with the current portion included in current portion of long-term obligations as of June 30, 2022 and 2021 was $1,218 and $1,445, respectively. The annual payments for the life of the agreements are $260 annually through fiscal year ending June 30, 2027. As of June 30, 2022 total outstanding payments are $1,299, with $1,218 representing principal and $81 representing interest.

NOTE 5. COMPENSATED ABSENCES

A liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probably that virtually all of these balances will be liquidated by either paid time-off or payments upon termination or retirement.

Below is a summary of changes in Compensated absences for the Water Utility during the fiscal year.

	Balance As of 6/30/2020	Additions	Reductions	Balance As of 6/30/2021	Additions	Reductions	Balance As of 6/30/2022	Due Within One Year
Compensated absences	$ 2,289	$ 1,776	$ (1,346)	$ 2,719	$ 1,868	$ (2,014)	$ 2,573	$ 1,905

NOTE 6. EMPLOYEE RETIREMENT PLAN

PLAN DESCRIPTION

The City contributes to CalPERS, an agent multiple employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by CalPERS. Benefit provisions and all other requirements are established by state statute and City ordinance. A copy of CalPERS' annual financial report may be obtained online at www.calpersca.gov. The Water Utility, including Water Conservation Programs, participates in the City's Miscellaneous (non-safety) Plan (the Plan).

FUNDING POLICY

The City has contributed at the actuarially determined rate provided by CalPERS' actuaries. Participants are required to contribute 8 percent of their annual covered salary. The City has a multiple tier retirement plan with benefits varying by plan. All permanent full-time and selected part-time employees are eligible for participation in CalPERS. Benefits vest after five years of service and are determined by a formula that considers the employee's age, years of service and salary. Under the Plan, the City pays the employees' contribution to CalPERS for employees hired on or before specific dates as follows:

- 1st Tier –
  - The retirement formula is 2.7% at age 55 for employees hired on or before October 18, 2011. Effective January 1, 2018 for unrepresented employees (Sr. Management, Management, Professional, Para-professional, Supervisory, Confidential, and Executive units, excluding the Chief of Police and the Fire Chief), the employees were required to pay 2% of their pensionable income, with the City contributing the other 6%. Effective January 1, 2019, employees were required to pay an additional portion of their pensionable income. This portion is a three-year increase of 2% (2019), 2% (2020) and 2% (2021). As of 2021, employees are contributing the entire 8% of their pensionable income.

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

  - The retirement formula is 2.7% at age 55 for IBEW and IBEW Supervisory employees hired on or before October 18, 2011. Effective November 1, 2017 employees were required to pay 2% of their total pensionable income with the City paying the remaining 6%. Effective each November 1st, employees will be required to pay an additional portion of their pensionable income. This portion is a three-year increase of 2% (2018), 2% (2019) and 2% (2020). As of November 2020, employees are contributing the entire 8% of their pensionable income.

- 2nd Tier - The retirement formula is 2.7% at age 55, and:
  - Miscellaneous employees, IBEW, and IBEW Supervisory hired on or after October 19, 2011 pay their share (8%) of contributions.

  - SEIU and SEIU Refuse employees hired on or after June 7, 2011 pay their share (8%) of contributions.

- 3rd Tier – The retirement formula is 2% at age 62 for new members hired on or after January 1, 2013 and the employee must pay the normal cost to CalPERS which is currently at 7.75%. Classic members (CalPERS members prior to 12/31/12) hired on or after January 1, 2013 may be placed in a different tier.

The contribution requirements of plan members and the City are established and may be amended by CalPERS.

NOTE 6. EMPLOYEE RETIREMENT PLAN (CONTINUED)

BENEFITS PROVIDED

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit Level III, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

EMPLOYEES COVERED

As of measurement date June 30, 2021 and June 30, 2020, the following employees, City-wide, were covered by the benefit terms of the Plan:

	Measurement Date	
	June 30, 2021	June 30, 2020
Inactive employees or beneficiaries currently receiving benefits	2,373	2,301
Inactive employees entitled to but not yet receiving benefits	1,422	1,427
Active employees	1,508	1,559

CONTRIBUTIONS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

NET PENSION LIABILITY

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. For fiscal year ended June 30, 2022, the net pension liability of the Plan is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. For fiscal year ended June 30, 2021, the net pension liability of the Plan is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

ACTUARIAL ASSUMPTIONS

The total pension liabilities in the June 30, 2021 and 2020 actuarial valuations were determined using the following actuarial assumptions:

NOTE 6. EMPLOYEE RETIREMENT PLAN (CONTINUED)

ACTUARIAL ASSUMPTIONS (CONTINUED)

	Miscellaneous - Current Year	Miscellaneous - Prior Year
Valuation Date	June 30, 2020	June 30, 2019
Measurement Date	June 30, 2021	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Salary Increase	Varies by entry age and service	Varies by entry age and service
Mortality Rate Table[1]	Derived using CalPERS' membership data for all funds.	
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

[1]The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

CHANGES IN ASSUMPTIONS

There was no changes in assumptions for the measurement date of June 30, 2021.

DISCOUNT RATE

The discount rate used to measure the Plan's total pension liability was 7.15% for measurement date as of June 30, 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LONG-TERM DISCOUNT RATE OF RETURN

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short- term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as follows:

NOTE 6. EMPLOYEE RETIREMENT PLAN (CONTINUED)

LONG-TERM DISCOUNT RATE OF RETURN (CONTINUED)

June 30, 2021 Measurement Date

Asset Class (1)	Current Taget Allocation	Real Return Years 1 - 10 (2)	Real Return Years 11+ (3)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

(1) In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(2) An expected inflation of 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period.

June 30, 2020 Measurement Date

Asset Class (1)	Current Taget Allocation	Real Return Years 1 - 10 (2)	Real Return Years 11+ (3)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%

(1) In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(2) An expected inflation of 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period.

NOTE 6. EMPLOYEE RETIREMENT PLAN (CONTINUED)

CHANGES IN THE NET PENSION LIABILITY (ASSET)

The changes in the Water Utility's, including Water Conservation Programs, proportionate share of the net pension liability as of June 30, 2022 (measurement date June 30, 2021) and 2021 (measurement date June 30, 2020) for the Plan are as follows:

June 30, 2022	Net Pension Liability/ (Asset)	Proportion of the Plan
Proportion - Reporting date June 30, 2022 (Measurement Date June 30, 2021)	$ (8,809)	9.93 %
Proportion - Reporting date June 30, 2021 (Measurement Date June 30, 2020)	12,203	10.16 %
Changes - Increase / (Decrease)	(21,012)	-0.23 %
June 30, 2021		
Proportion - Reporting date June 30, 2021 (Measurement Date June 30, 2020)	12,203	10.16 %
Proportion - Reporting date June 30, 2020 (Measurement Date June 30, 2019)	31,840	10.90 %
Changes - Increase / (Decrease)	(19,637)	-0.74 %

SENSITIVITY OF THE NET PENSION LIABILITY (ASSET) TO CHANGES IN THE DISCOUNT RATE

The following presents the Water Utility's, including Water Conservation Programs, proportionate share of the net pension liability of the Plan, calculated using the discount rate of 7.15%, as well as what the Water Utility's proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Measurement Date June 30, 2021			Measurement Date June 30, 2020		
	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Water Utility's proportionate share of the Plan's net pension liability	$ 11,807	$ (8,809)	$ (25,787)	$ 32,609	$ 12,203	$ (4,593)

Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 6. EMPLOYEE RETIREMENT PLAN (CONTINUED)

PENSION EXPENSES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSION

For the fiscal years ended June 30, 2022 and 2021, the Water Utility, including Water Conservation Programs, recognized pension expense/(income) of $(2,176) and $1,563, respectively. At June 30, 2022 and 2021, the Water Utility, including Water Conservation Programs, reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	June 30, 2022		June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,715	$ -	$ 2,671	$ -
Change of assumptions	-	-	-	(350)
Difference between expected and actual expense	365	-	718	(183)
Net difference between projected and actual earnings on pension plan investments	-	(14,814)	1,532	-
Total	$ 3,080	$ (14,814)	$ 4,921	$ (533)

Deferred outflows of resources related to contributions subsequent to the measurement date reported in prior year was recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Deferred Outflows/ (Inflows) of Resources
2023	$ (3,420)
2024	(3,341)
2025	(3,536)
2026	(4,152)
2027	-
Total	$ (14,449)

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

PLAN DESCRIPTION

The City's defined benefit OPEB plan, Retiree Health Plan, provides continuation of medical (including prescription drugs) and dental coverage benefits to retirees and surviving spouses in the form of an implied rate subsidy. The Retiree Health Benefits plan is a single employer defined benefit OPEB plan administered by the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

BENEFITS PROVIDED

Eligibility for continuation of coverage requires retirement from the City and CalPERS with at least 5 years of City service. The retiree is responsible for 100% of the premium cost for coverage, which is based on the blended experience of both the active and retired employees. The City is not required by law or contractual agreement to provide funding other than the pay-as-you-go amount necessary to provide current benefit to eligible retirees and beneficiaries. Retiree and spousal coverage terminates when the retiree becomes covered under another employer health plan, or when the retiree reaches Medicare eligibility age, which is currently age 65. However, retiree benefit continues to the surviving spouse if the retiree elects the CalPERS survivor annuity.

As of measurement date June 30, 2021 and 2020, the following employees, City-wide, were covered by the benefit terms:

	Measurement Date June 30, 2021	Measurement Date June 30, 2020
Inactive plan members or beneficiaries currently receiving benefits	206	274
Inactive plan members entitled to but not yet receiving benefits	-	-
Active plan members	2,014	2,138

ACTUARIAL ASSUMPTIONS

The total OPEB liability was determined by actuarial valuation as of June 30, 2021 and 2020, using the following actuarial assumptions:

	Miscellaneous - Current Year	Miscellaneous - Prior Year
Valuation Date	June 30, 2021	June 30, 2019
Measurement Date	June 30, 2021	June 30, 2020
Actuarial Cost Method	Pay-as-you-go for implicit rate subsidy	Pay-as-you-go for implicit rate subsidy
Actuarial Assumptions		
Discount Rate	Bond Buyer 20 Index at June 30, 2021 resulting in a rate of 2.16%	Bond Buyer 20 Index at June 30, 2020 resulting in a rate of 2.66%
Inflation Rate	2.75% per annum	3% per annum
Payroll Increases	2.75% per year. Since benefits do not depend on salary (as they do for pensions), this assumption is only used to determine the accrual pattern of the Actuarial Present Value of Projected Benefit Payments.	3.0%, plus merit increases based on the CalPERS experience study as of December 2017

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

ACTUARIAL ASSUMPTIONS (CONTINUED)

	Miscellaneous - Current Year	Miscellaneous - Prior Year
Merit Increases	N/A	Merit increases from the CalPERS pension plan experience study as of December 2017. The benefits are not payroll related but each individual's projected cost is allocated over their lifetime as a level-percentage of pay.
Mortality	2017 CalPERS Retiree Mortality Table for the appropriated population	SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019
Heathcare Trend Rates	Medical trend in future years has been updated to 4.00% for all years from 6.25% tiered down by 0.25% per year to 4.50% in all future years.	

Fiscal Year End	Future Year Trend
2020	6.50%
2021	6.25%
2022	6.00%
2023	5.75%
2024	5.50%
2025	5.25%
2026	5.00%
2027	4.75%
2028+	4.50%

CHANGES OF ASSUMPTIONS

In 2021, the discount rate was changed from 2.66 percent to 2.16 percent.

SENSITIVITY OF TOTAL OPEB LIABILITY TO CHANGES IN HEALTHCARE COST TREND RATES

The following presents the Water Utility's, including Water Conservation Programs, proportionate share of the City's total OPEB liability, calculating using the healthcare trend rate of 4% and 4.5% for measurement date as of June 30, 2021 and June 30, 2020, respectively, as well as what the Water Utility's total OPEB liability would be if it was calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Measurement Date June 30, 2021			Measurement Date June 30, 2020		
	1% Decrease	Current healthcare cost trend rate 4%	1% Increase	1% Decrease	Current healthcare cost trend rate 4.5%	1% Increase
Water Utility's proportionate share of the total OPEB liability	$ 3,771	$ 4,286	$ 4,896	$ 3,977	$ 4,550	$ 5,236

SENSITIVITY OF TOTAL OPEB LIABILITY TO CHANGES IN DISCOUNT RATES

The following presents the Water Utility's, including Water Conservation Programs, proportionate share of the City's total OPEB liability, calculating using the discount rate of 2.16% and 2.66% for measurement date as of June 30, 2021 and 2020 respectively, as well as what the Water Utility's total OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

SENSITIVITY OF TOTAL OPEB LIABILITY TO CHANGES IN DISCOUNT RATES (CONTINUED)

	Measurement Date June 30, 2021			Measurement Date June 30, 2020		
	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)	1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
Water Utility's proportionate share of total OPEB liability	$ 4,652	$ 4,286	$ 3,946	$ 5,000	$ 4,550	$ 4,144

CHANGE IN TOTAL OPEB LIABILITY

For fiscal year ended June 30, 2022 and 2021, the Water Utility's, including Water Conservation Programs, recognized total OPEB expense of $210 and $73 respectively. The following table shows the change in the Water Utility's, including Water Conservation Programs, proportionate share of the City's total OPEB liability for the year ended June 30, 2022 (measurement date June 30, 2021) and the year ended June 30, 2021 (measurement date June 30, 2020):

June 30, 2022	Total OPEB Liability	Proportion of the City
Proportion - Reporting date June 30, 2022 (Measurement Date June 30, 2021)	$ 4,286	8.79 %
Proportion - Reporting date June 30, 2021 (Measurement Date June 30, 2020)	4,550	8.70 %
Changes - Increase / (Decrease)	(264)	0.09 %
June 30, 2021		
Proportion - Reporting date June 30, 2021 (Measurement Date June 30, 2020)	$ 4,550	8.70 %
Proportion - Reporting date June 30, 2020 (Measurement Date June 30, 2019)	4,382	8.76 %
Changes - Increase / (Decrease)	168	-0.06 %

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO OPEB

At June 30, 2022, the Water Utility, including Water Conservation Programs, reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual expense	$ 14	$ (291)
Change of assumptions	590	(271)
Contributions subsequent to measurement date	123	-
Total	$ 727	$ (562)

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO OPEB (CONTINUED)

Year Ended June 30	Deferred Outflows/ (Inflows) of Resources
2023	$ 19
2024	19
2025	20
2026	30
2027	32
Thereafter	(78)
Total	$ 42

NOTE 8. RESTRICTED NET POSITION

Pursuant to applicable bond indentures, a reserve for debt service has been established by restricting assets and reserving a portion of net position. Bond indentures for the Water Utility's water revenue and refunding bonds require debt service reserves that equate to the maximum annual debt service required in future years and bond service reserves of three months interest and nine months principal due in the next fiscal year. Variable rate revenue and refunding bonds require 110 percent of the monthly accrued interest to be included in the reserve. Certain issues have no debt service reserve requirements (2009B, 2011A and 2019A).

NOTE 9. CONSTRUCTION COMMITMENTS

As of June 30, 2022, the Water Utility had commitments (encumbrances) of approximately $5,922 with respect to ongoing capital projects, of which $4,759 is expected to be funded by bonds, and $1,163 to be funded by unrestricted reserves.

NOTE 10. LITIGATION

The Water Utility is a defendant in various lawsuits arising in the normal course of business. Present lawsuits and other claims against the Water Utility are incidental to the ordinary course of operations of the Water Utility and are largely covered by the City's self-insurance program. In the opinion of management and the City Attorney, such claims and litigation will not have a materially adverse effect upon the financial position or results of operations of the Water Utility.

CITY OF RIVERSIDE V. BLACK & DECKER (U.S.), INC.

The Water Utility is a plaintiff in a lawsuit against several entities that either owned or leased a property site in the City of Colton and City of Rialto that is contaminated by perchlorate. The lawsuit was filed March 31, 2009. On May 24, 2018, the State trial court dismissed the action, with prejudice, for failure to join the federal Department of Defense, with instructions to refile the lawsuit in federal court and include the Department of Defense as a party. The City has appealed such dismissal, and on May 6, 2020, the appellate court overturned the trial court's dismissal. The appellate court remanded the case back to the trial court and the parties are now waiting for the trial court to set a trial date. The City has reached settlement with two of the defendants: Trojan Fireworks Company and Zambelli and those defendants have been dismissed from the lawsuit.

PONGS V. CITY OF RIVERSIDE ("PONGS I")

On December 16, 2019, a lawsuit entitled Pongs v. City of Riverside was filed against the City challenging the City's Water Rate WA-12, "Agricultural Water", alleging that the City is overcharging customers for service under this rate in violation of Article XIIID, Section 6 of the California Constitution. The plaintiff is seeking that the court invalidate Water Rate WA-12 and refund all to all WA-12 customers monies collected under that rate. A hearing date for the first phase of the trial, on liability, has been scheduled for November 17, 2021. This lawsuit has been stayed pending the resolution of another lawsuit challenging the City's Water General Fund Transfer, entitled *Simpson v. City of Riverside* (as referenced below).

PONGS ET AL. V. CITY OF RIVERSIDE ET AL. ("PONGS II")

On January 8, 2021, a lawsuit entitled Pongs et al. v. City of Riverside et al. was filed against the City by two minority shareholders of the Gage Canal Company, alleging that the City had breached certain fiduciary duties and a contract related to the City's operation of the Gage Canal, an irrigation canal owned by the City and operated by the Gage Canal

NOTE 10. LITIGATION (CONTINUED)

PONGS ET AL. V. CITY OF RIVERSIDE ET AL. ("PONGS II") (CONTINUED)

Company. The plaintiffs are seeking over $9M in damages and that the court compel certain actions by the City. No trial date has been set for this action. In December of 2021, Pongs voluntarily dismissed their lawsuit.

SIMPSON V. CITY OF RIVERSIDE

On December 19, 2019, a class action lawsuit entitled Simpson v. City of Riverside was filed against the City alleging that the City is overcharging customers for water utility service in violation of Article XIIID, Section 6 of the California Constitution, on the grounds that the City is transferring 11.5% of water utility revenues to the City's general fund. The transfer, also known as the "General Fund Transfer", was approved by voters on June 4, 2013, as a general tax. The plaintiff is seeking refunds for all customers for monies collected in violation and also that the court set aside the voter's 2013 approval of the General Fund Transfer. No trial date has been set for this action.

CITY OF RIVERSIDE V. 3M COMPANY, ET AL.

The Water Utility is a plaintiff in a lawsuit against several entities over contamination of its water supply wells with synthetic per- and polyfluoroalkyl substances ("PFAS"). The lawsuit was filed July 26, 2021 as part of a multidistrict litigation proceeding consolidated before a federal judge in Charleston, South Carolina. No trial date has been set.

CITY OF RIVERSIDE V. SHELL OIL COMPANY, ET AL.

The Water Utility is a plaintiff in a lawsuit against several entities over contamination of its water supply wells with 1, 2, 3, - Trichloropropane ("TCP"). The lawsuit was filed December 4, 2020, in the superior court in San Francisco. No trial date has been set.

NOTE 11. LEASES

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

LEASES PAYABLE

The Water Utility has entered into 4 leases as Lessee for the use of various pieces of machinery and equipment. The terms range from 61 months to 85 months beginning on the contract commencement date. An initial lease liability was recorded in the amount of $25. As of 06/30/2022, the value of the lease liability is $19. The Water Utility is required to make monthly payments ranging from $0 to less than $1 through the terms of the leases. The leases have an interest rate of 0.52%. The leases have various options to extend, ranging up to 2 years. The value of the right-to-use asset as of June 30, 2022 is $21 with accumulated amortization of $5 and is included with machinery and equipment on the Asset Class activities table found below.

	Amount of Lease Assets by Major Classes of Underlying Asset	
Asset Class	**Lease Asset Value**	**Accumulated Amortization**
Machinery and equipment	$ 21	$ (5)
Total	$ 21	$ (5)

NOTE 11. LEASES (CONTINUED)

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2023	$ 5	$ -	$ 5
2024	4	-	4
2025	5	-	5
2026	2	-	2
Total	$ 16	$ -	$ 16

LEASES RECEIVABLE

The Water Utility entered into 18 leases as a Lessor for the use of various pieces of land and building. The terms range from 5 to 110 years beginning on the contract commencement date. An initial lease receivable was recorded in the amount of $83,950. As of June 30, 2022, the value of the lease receivable is $83,408. The lessee is required to make monthly payments ranging from $0 to $87 through the terms of the leases. The leases have interest rates ranging from 0.52% to 1.79%. The various buildings and equipment estimated useful lifes range from 3 to 50 years. The value of the deferred inflow of resources as of June 30, 2022 was $82,838, and the Water Utility recognized lease revenue of $1,113 during the fiscal year. The lessees have various extension options, ranging up to 55 years.

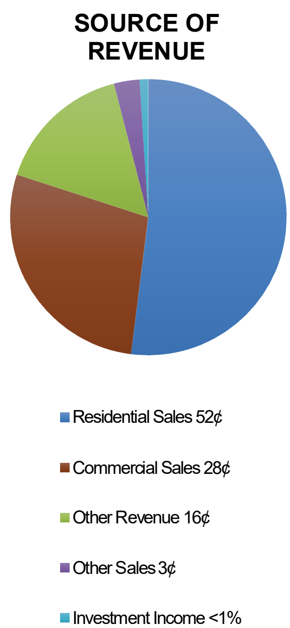
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2023	$ 425	$ 1,484	$ 1,909
2024	423	1,482	1,905
2025	413	1,471	1,884
2026	406	1,464	1,870
2027	413	1,457	1,870
2028-2032	2,103	7,187	9,290
2033-2037	2,189	6,997	9,186
2038-2042	2,314	6,794	9,108
2043-2047	2,723	6,571	9,294
2048-2052	3,280	6,306	9,586
2053-2057	3,946	5,980	9,926
2058-2062	4,682	5,593	10,275
2063-2067	5,347	5,145	10,492
2068-2072	3,117	4,752	7,869
2073-2077	3,007	4,488	7,495
2078-2082	3,272	4,207	7,479
2083-2087	3,578	3,900	7,478
2088-2092	3,911	3,567	7,478
2093-2097	4,279	3,198	7,477
2098-2102	4,681	2,796	7,477
2103-2107	5,118	2,358	7,476
2108-2112	5,596	1,880	7,476
2113-2117	6,121	1,354	7,475
2118-2122	6,694	780	7,474
2123-2127	5,030	198	5,228
2128-2132	340	2	342
Total	$ 83,408	$ 91,411	$ 174,819

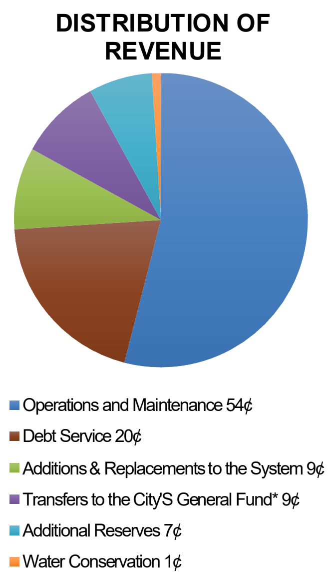
WATER UTILITY
KEY HISTORICAL OPERATING DATA

Fiscal Year	2021/22	2020/21	2019/20	2018/19	2017/18
WATER SUPPLY (ACRE FEET)					
Potable water production[1]	68,054	72,215	64,827	64,379	69,778
Percentage pumped (%)[2]	100	100	100	100	100
System peak day (gallons)[3]	82,700,000	91,900,000	89,600,000	90,200,000	83,000,000
WATER USE					
Number of meters as of year end:					
Residential	59,876	59,782	59,598	59,456	59,601
Commercial/Industrial[4]	6,153	6,080	6,068	6,028	5,705
Other[4]	343	336	365	319	334
Total	66,372	66,198	66,031	65,803	65,640
CCF* sales:					
Residential	15,362,908	16,149,357	14,610,481	14,157,606	15,564,143
Commercial/industrial[4]	10,245,377	10,069,176	9,126,132	9,191,682	9,573,518
Other[4]	870,928	835,300	787,119	805,022	900,596
Subtotal	26,479,213	27,053,833	24,523,732	24,154,310	26,038,257
Wholesale	366,370	1,571,549	1,002,289	1,673,411	1,476,117
Total	26,845,583	28,625,382	25,526,021	25,827,721	27,514,374
*(CCF equals 100 cubic feet)					
WATER FACTS					
Average annual CCF per residential customer	257	270	245	238	261
Average price ($/CCF) per residential customer	$ 2.98	$ 2.77	$ 2.67	$ 2.50	$ 2.39
Debt service coverage ratio (DSC)[5, 6, 7, 8]	2.23	2.25	1.80	1.68	2.16
Employees[9]	164	165	165	159	159

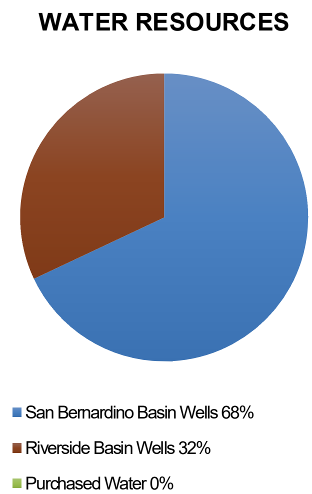
[1] Water pumping figures have been adjusted to include retail and wholesale potable water production.
[2] No purchased water.
[3] System peak day has been adjusted to reflect production for retail customers.
[4] Changes in fiscal years 18/19 & 19/20 reflect reclassification of certain Commercial/Industrial accounts and Other accounts in connection with current Water Rate Plan.
[5] Interest expense used to calculate DSC is net of federal subsidy on Build America Bonds.
[6] Excludes GASB 68 Accounting and Financial Reporting for Pension non-cash adjustments of ($4,891), ($1,107), $1,046, ($482), and $3,149, for fiscal years 21/22 through FY17/18, respectively.
[7] Excludes GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions non-cash adjustments of $210, $73, $197, $118 and $265, for fiscal years 21/22 through FY 17/18, respectively
[8] Includes GASB 87 *Leases* net adjustment of $708 for June 30, 2022.
[9] Approved positions.

2021/2022 WATER REVENUE AND RESOURCES

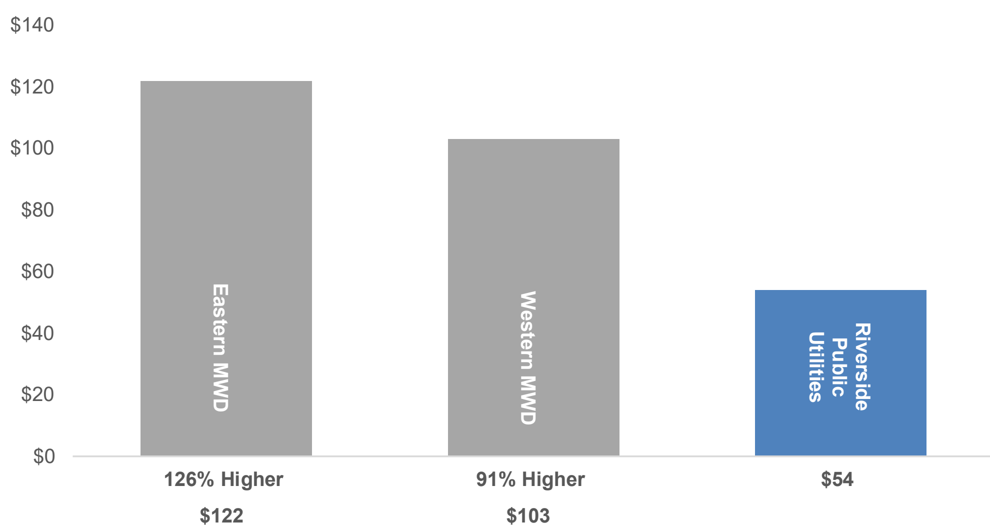




*Based on transfer of 11.5% of fiscal year 2020/2021 gross operating revenues, including adjustments

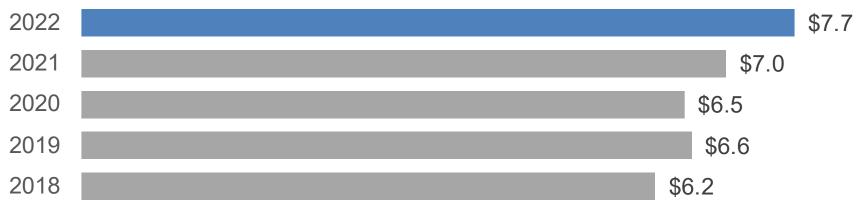


RESIDENTIAL WATER RATE COMPARISON - 21 CCF PER MONTH (AS OF JUNE 30, 2022)

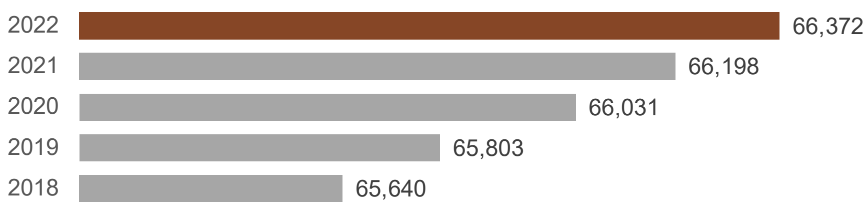


WATER KEY OPERATING INDICATORS

General Fund Transfer (In Millions)

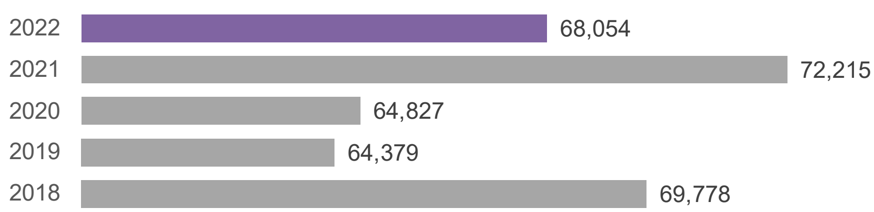


Number of Meters At Year End

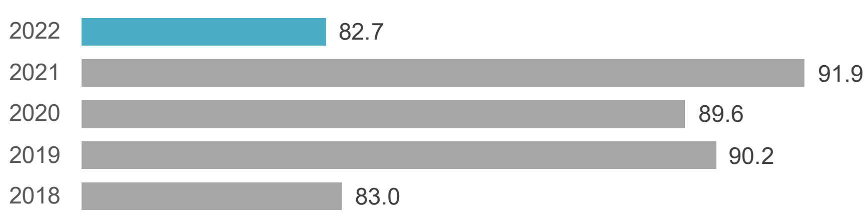


Total Operating Revenue (In Millions)

Potable Water Production (In Acre Feet)



Peak Day Demand (In Millions of Gallons)



WATER FACTS AND SYSTEM DATA

Established	1913
Service Area Population	317,847
Service Area Size (square miles)	74.24

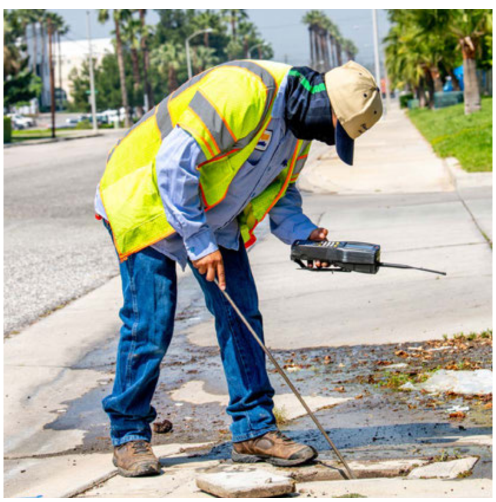
System Data:

Smallest Pipeline	2.0"
Largest Pipeline	72.0"
Miles of Pipeline	993
Number of Domestic Wells	56
Number of Active Reservoirs	16
Total Reservoir Capacity (gallons)	108,500,000
Number of Treatment Plants	6
Number of Treatment Vessels	84
Miles of Canal	14
Number of Fire Hydrants	8,019
Daily Average Production (gallons)	64,600,000
2021-2022 Peak Day (gallons) 06/27/22, 101 Degrees	82,700,000
Historical Peak (gallons) 08/9/05, 99 Degrees	118,782,000

Bond Ratings:

Fitch Ratings	AA+
Moody's	Aa2
S&P Global Ratings	AA+

RIVERSIDE PUBLIC UTILITIES
3750 University Avenue
3rd Floor
Riverside, CA 92501
(951) 826-2135



RiversidePublicUtilities.com

WATER | ENERGY | LIFE

CITY OF RIVERSIDE

PUBLIC UTILITIES

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution that are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the Resolution for a full and complete statement of the provisions thereof.

MASTER RESOLUTION

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

Definitions. Unless the context otherwise requires, the terms defined in the Resolution will, for all purposes of the Resolution and of any Supplemental Resolution and of any certificate, opinion or other document mentioned therein, have the meanings specified below, to be equally applicable to both the singular and plural forms of any of the terms defined below. Unless otherwise defined in the Resolution, all terms used therein will have the meanings assigned to such terms in the Law.

"Accreted Value" means, with respect to any Capital Appreciation Bond, the principal amount thereof plus the interest accrued thereon from its delivery date, compounded at the approximate interest rate thereof on each date specified therein. The Accreted Value at any date to which reference is made will be the amount set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, will be determined by straight-line interpolation with reference to such Accreted Value Table.

"Accreted Value Table" means the table denominated as such, and to which reference is made in, a Supplemental Resolution for any Capital Appreciation Bonds issued pursuant to such Supplemental Resolution.

"Assumed Debt Service" means, with respect to any Excluded Principal Payment for any Fiscal Year (or other designated 12 month period) on or after the Excluded Principal Payment date the sum of the amount of principal and interest which would be payable in each such Fiscal Year (or other designated 12 month period) if that Excluded Principal Payment were amortized for a period specified by the City at the time of issuance of such Bonds or Parity Debt (no greater than 30 years from the date of such Excluded Principal Payment) on a substantially level debt service basis, calculated based on a fixed interest rate equal to the rate at which the City could borrow (as of the time of calculation) for such period, as certified by a certificate of a financial advisor or investment banker delivered to the City at the time of issuance of such Bonds or Parity Debt, which may rely conclusively on such certificate, within 30 days of the date of calculation.

"Authorized Investments" means any investments in which the City may legally invest sums subject to its control, as certified to each Fiscal Agent, and includes any Designated Investments.

"Bond" or "Bonds" means the City of Riverside Electric Revenue Bonds authorized by, and at any time Outstanding pursuant to, the Resolution.

"Bond Counsel" means a firm of lawyers nationally recognized in the area of tax-exempt bonds.

"Bond Obligation" means, as of any date of calculation: (1) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond; and (2) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof as of the date on which interest on such Capital Appreciation Bond is compounded next preceding such date of calculation (unless such date of calculation is a date on which such interest is compounded, in which case, as of such date).

"Bond Register" means the Bond Register as defined in the Resolution.

“Bond Service Account” means the Electric Revenue Bonds, Bond Service Account established pursuant to the Prior Resolutions and continued pursuant to the Prior Resolutions and the Resolution in the Electric Revenue Fund.

“BMA” means the Bond Market Association and its successors and assigns.

“BMA Index” means the BMA Municipal Bond Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor; provided, however, that, if such index is no longer produced by Municipal Market Data, Inc. or its successor, then “BMA Index” means such other reasonably comparable index selected by the City.

“Capital Appreciation Bonds” means any Bonds the interest on which is compounded and not scheduled to be paid until maturity or on prior redemption.

“Certificate,” “Statement,” “Request,” “Requisition” and “Order” of the City means, respectively, a written certificate, statement, request, requisition or order signed by the Treasurer or any other Person authorized by the City Council to execute such instruments. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined will be read and construed as a single instrument. If and to the extent required by the Resolution, each such instrument will include the statements provided for in the Resolution.

“Charter” means the Charter of the City, as it may be amended from time to time.

“City” means the City of Riverside, California.

“City Clerk” means the City Clerk of the City.

“City Council” or “Council” means the City Council of the City.

“Construction Costs” means the cost of acquiring, constructing, reconstructing, replacing, extending and improving the Electric System and any facilities related thereto.

“Credit Facility” means a letter of credit, liquidity facility or other credit facility issued by a financial institution or other form of credit enhancement, including, but not limited to, municipal bond insurance and guarantees, delivered to the Treasurer or the Fiscal Agent for a Series or portion of a Series of Bonds, which provides for payment, in accordance with the terms of such Credit Facility, of principal or Accreted Value, premium and/or interest of such Series or portion of a Series of Bonds and/or the purchase price of such Series or portion of a Series of Bonds. A Credit Facility may be comprised of two or more credit facilities issued by two or more financial institutions.

“Current Interest Bonds” means the Bonds of any Series, other than Capital Appreciation Bonds, which pay interest at least annually to the Owners thereof excluding the first payment of interest thereon.

“Designated Investments” means, with respect to the Bonds of a Series, any investments designated as Designated Investments in the Supplemental Resolution authorizing the issuance of the Bonds of that Series.

“Electric Revenue Fund” means the revenue fund pertaining to the Electric System into which all Gross Operating Revenues are deposited.

“Electric System” means the electric public utility system of the City and includes all works and rights owned, controlled or operated by the City, within or without the City, for supplying the City and its inhabitants with electric energy, including all facilities related thereto and all additions, extensions and improvements thereof.

"Excluded Principal Payment" means each payment of principal of Bonds or Parity Debt which the City designates (in the Supplemental Resolution or other document delivered on a date not later than the date of issuance of such Bonds or Parity Debt) to be an Excluded Principal Payment. No such determination will affect the security for such Bonds or Parity Debt or the obligation of the City to pay such payments from Net Operating Revenues or from the applicable reserve account, if any.

"Federal Securities" means direct obligations of, or obligations the timely payment of which are unconditionally guaranteed by, the United States of America or securities or receipts evidencing direct ownership interests in the foregoing obligations or specific portions (such as principal or interest) of the foregoing obligations which are held in safekeeping by a custodian on behalf of the owners of such receipts.

"Final Compounded Amount" means the Accreted Value of any Capital Appreciation Bond on its maturity date.

"Fiscal Agent" means respect to any Series of Bonds, the fiscal agent appointed pursuant to the Supplemental Resolution authorizing the issuance of such Series and which may be the Treasurer, and any successor appointed in accordance with the Resolution.

"Fiscal Year" means the year period beginning on July 1st and ending on the next following June 30th.

"Fitch" means Fitch Ratings, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term "Fitch," unless otherwise provided in a Supplemental Resolution for a Series of Bonds, will be deemed to refer to any other nationally recognized rating agency selected by the City and not objected to by the Fiscal Agent.

"Gross Operating Revenues" means: (i) all revenues from rates, fees and charges for providing electric service to persons and real property and all other fees, rents and charges and other revenues derived by the City from the ownership, operation, use or service of the Electric System, including contributions in aid of construction; and (ii) all Subordinate Swap Receipts.

"Initial Amount" means the principal amount of a Capital Appreciation Bond on the date of issuance and delivery to the original purchaser thereof.

"Information Services" means Financial Information, Incorporated's "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Mergent/FIS, Inc., 5250-77 Center Drive, Charlotte, North Carolina 28217, Attention: Called Bond Department; Kenny Standard & Poor's, 55 Water Street, New York, New York 10041; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the City may designate in a Request of the City delivered to any Fiscal Agent.

"Interest Account" means the sub-account by that name established pursuant to the Resolution in the Bond Service Account.

"Law" means collectively the City Charter, Ordinance No. 5001 of the City Council, as it may be amended from time to time, and the Resolution.

"Mandatory Sinking Account Payment" means, with respect to Bonds of any Series and maturity, the amount required by the Resolution to be deposited by the Treasurer in the Principal Account for the payment of Term Bonds of such Series and maturity.

"Maximum Annual Debt Service" means, as of any date of calculation, the greatest amount of principal and interest becoming due and payable on all Bonds and Parity Debt in any Fiscal Year including the Fiscal Year in which the calculation is made or any subsequent Fiscal Year; provided, however, that for the purpose of computing Maximum Annual Debt Service:

(a) Excluded Principal Payments will be excluded from such calculation and Assumed Debt Service will be included in such calculation;

(b) if the Parity Debt or Bonds are Variable Rate Indebtedness and: (i) are secured pursuant to a Credit Facility which, if drawn upon, could create a repayment obligation which has a lien on Net Operating Revenues subordinate to the lien of the Parity Debt or Bonds; or (ii) are not secured by any Credit Facility, the interest rate on such Parity Debt or Bonds for periods when the actual interest rate cannot yet be determined will be assumed to be equal to an interest rate calculated by multiplying 1.20 times the interest rate on the Parity Debt or Bonds on the date of calculation or, if such Parity Debt or Bonds are not currently Outstanding, 1.20 times the interest rate that such Parity Debt or Bonds would bear if they were Outstanding on such date, as certified by a certificate of a financial advisor or investment banker delivered to the City;

(c) if the Parity Debt or Bonds are Variable Rate Indebtedness and are secured pursuant to a Credit Facility which, if drawn upon, could create a repayment obligation which has a lien on Net Operating Revenues on a parity with the lien of the Parity Debt or Bonds, the interest rate on such Parity Debt or Bonds for periods when the actual interest rate cannot yet be determined will be assumed to be equal to the greater of: (i) the then current interest rate on the Parity Debt or Bonds; and (ii) the BMA Index;

(d) principal and interest payments on Bonds and Parity Debt will be excluded to the extent such payments are to be paid from amounts on deposit as of the date of calculation with the Treasurer, any Fiscal Agent or any other fiduciary in an escrow irrevocably dedicated therefor and to the extent that such interest payments are to be paid from the proceeds of Parity Debt or Bonds held by the Treasurer, the Fiscal Agent or any other fiduciary as capitalized interest specifically to pay such interest;

(e) if the Bonds or Parity Debt are Paired Obligations, the interest rate on such Bonds or Parity Debt will be the collective fixed interest rate to be paid by the City with respect to Paired Obligations;

(f) in determining the principal amount due in each Fiscal Year, payment will (unless a different subsection of the definition of "Maximum Annual Debt Service" applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such Bonds and Parity Debt, including any Mandatory Sinking Account Payments or any scheduled redemption or payment of Bonds or Parity Debt on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value will be deemed a principal payment and interest that is compounded and paid as Accreted Value will be deemed due on the scheduled redemption or payment date; and

(g) interest deemed to be payable on any Bonds with respect to which a Subordinate Swap is in force will be based on the net economic effect on the City expected to be produced by the terms of such Bonds and such Subordinate Swap, including but not limited to the effects that: (i) such Bonds would, but for such Subordinate Swap, be treated as Variable Rate Indebtedness instead will be treated as Bonds bearing interest at a fixed interest rate; and (ii) such Bonds would, but for such Subordinate Swap, be treated as Bonds bearing interest at a fixed interest rate instead will be treated as Variable Rate Indebtedness; and accordingly, the amount of interest deemed to be payable on any Bonds with respect to which a Subordinate Swap is in force will be an amount equal to the amount of interest that would be payable at the rate or rates stated in such Bonds plus the Subordinate Swap Payments minus the Subordinate Swap Receipts, and for the purpose of calculating as nearly as practicable the Subordinate Swap Payments and the Subordinate Swap Receipts under such Bonds, the following assumptions will be made:

(1) if a Subordinate Swap has been entered into by the City with respect to Bonds resulting in the payment of a net variable interest rate with respect to such Bonds and Subordinate Swap by the City, the interest rate on such Bonds for future periods when the actual interest rate cannot yet be determined will be assumed (but only during the period the Subordinate Swap is in effect) to be equal to the sum of: (i) the fixed rate or rates stated in such Bonds; minus (ii) the fixed rate paid by the Subordinate Swap Provider to the City; plus (iii) the lesser of: (A) the interest rate cap, if any, provided by a Subordinate Swap Provider with respect to such Subordinate Swap (but only during the period that such interest rate cap is in effect); and (B) the applicable variable interest rate calculated in accordance with clauses (b) or (c) above, as applicable; and

(2) if a Subordinate Swap has been entered into by the City with respect to Bonds resulting in the payment of a fixed interest rate with respect to such Bonds and Subordinate Swap by the City, the interest on such Bonds will be included in the calculation of payments (but only during the period the Subordinate Swap is in effect) by including for each Fiscal Year (or other designated 12 month period) an amount equal to the amount of interest payable at the fixed interest rate pursuant to such Subordinate Swap.

Notwithstanding any other paragraph of the definition of "Maximum Annual Debt Service," except as set forth in clause (g) above, no amounts payable under any Subordinate Swap (including Termination Payments) will be included in the calculation of Maximum Annual Debt Service.

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term "Moody's," unless otherwise provided in a Supplemental Resolution for a Series of Bonds, will refer to any other nationally recognized securities rating agency selected by the City and not objected to by the Fiscal Agent.

"Municipal Obligations" means municipal obligations, rated in the highest Rating Category by each of the Rating Agencies, meeting the following conditions:

(a) the municipal obligations are not to be redeemable prior to maturity, or the trustee with respect to such obligations has been given irrevocable instructions concerning their calling and redemption;

(b) the municipal obligations are secured by Federal Securities, which Federal Securities, except for provisions relating to surplus moneys not required for the payment of the municipal obligations and the substitution of such Federal Securities for other Federal Securities satisfying all criteria for Federal Securities, may be applied only to interest, principal and premium payments of such municipal obligations;

(c) the principal of and interest on the Federal Securities (plus any cash in the escrow fund) are sufficient, without reinvestment, to meet the liabilities of the municipal obligations; and

(d) the Federal Securities serving as security for the municipal obligations are held by an escrow agent or trustee.

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

"Operating and Maintenance Expenses" means those expenses of operating and maintenance of the Electric System and includes any necessary contribution to retirement of Electric System employees.

"Opinion of Bond Counsel" means a written opinion of Bond Counsel.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Resolution) all Bonds theretofore, or thereupon being, authenticated and delivered by the Fiscal Agent for that Series under the Resolution except: (1) Bonds theretofore cancelled by the Fiscal Agent for that Series or surrendered to the Fiscal Agent for that Series for cancellation; (2) Bonds with respect to which all liability of the City will have been discharged in accordance with the Resolution, including Bonds (or portions of Bonds) referred to in the Resolution; (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds have been authenticated and delivered by the Fiscal Agent for that Series pursuant to the Resolution; and (4) Bonds no longer outstanding under the Resolution as provided in the Supplemental Resolution pursuant to which such Bonds were issued.

“Owner” or “Bondholder” or “Bondowner,” whenever used in the Resolution with respect to a Bond, means the Person in whose name such Bond is registered.

“Paired Obligations” means any one or more Series (or portion thereof) of Bonds or Parity Debt, designated as Paired Obligations in the Supplemental Resolution or other document authorizing the issuance or incurrence thereof, that are simultaneously issued or incurred: (i) the principal of which is of equal amount maturing and to be retired on the same dates and in the same amounts; and (ii) the interest rates on which, taken together, result in an irrevocably fixed interest rate obligation of the City for the term of such Bonds or Parity Debt.

“Parity Debt” means: (1) any indebtedness or other obligation of the City, designated by the City on the date of issuance or incurrence as “Parity Debt;” or (2) any obligations of the City for deferred purchase price, in each case having an equal lien and charge upon the Net Operating Revenues with the Bonds and therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding).

“Person” means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Account” means the sub-account by that name established pursuant to the Resolution in the Bond Service Account.

“Prior Resolutions” means Resolution No. 14134 of the City Council, Resolution No. 14135 of the City Council, Resolution No. 15012 of the City Council and Resolution No. 16080 of the City Council, as each may be amended from time to time.

“Rating Agencies” means either or both of Fitch and Standard & Poor’s, and/or such other securities rating agencies providing a rating with respect to a Series of Bonds.

“Rating Category” means: (1) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier; and (2) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“Redemption Account” means the account by that name established pursuant to the Resolution in the Electric Revenue Fund.

“Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Resolution.

“Refunding Bonds” means all Bonds whether issued in one or more Series, authorized pursuant to the Resolution, to the extent the proceeds thereof are used or allocated to pay or to provide for the payment of Bonds or Parity Debt.

“Renewal and Replacement Account” means the Electric Revenue Bonds, Renewal and Replacement Account established pursuant to the Resolution in the Electric Revenue Fund.

“Resolution” means Resolution No. 17662 as originally adopted by the City Council on January 8, 1991, as amended, modified or supplemented from time to time by any Supplemental Resolution.

“Securities Depository” means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190; or, in accordance with then-current guidelines of the Securities and Exchange Commission, to such other addresses and/or such other securities depositories as the City may designate in a Request of the City delivered to any Fiscal Agent.

"Serial Bonds" means the Bonds, maturing in specified years, for which no Mandatory Sinking Account Payments are provided.

"Series," whenever used in the Resolution with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Resolution.

"Standard & Poor's" means Standard & Poor's Ratings Services, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term "Standard & Poor's," unless otherwise provided in a Supplemental Resolution for a Series of Bonds, will be deemed to refer to any other nationally recognized securities rating agency selected by the City and not objected to by the Fiscal Agent.

"State" means the State of California.

"Subordinate Bonds" means any indebtedness or other obligation of the City (other than Subordinate Swaps and Subordinate Swap Policy Agreements), designated by the City on the date of issuance or incurrence as "Subordinate Bonds," in each case having an equal lien and charge upon the Net Operating Revenues with the Subordinate Swaps and the Subordinate Swap Policy Agreements and therefore payable on a parity with the Subordinate Swaps and the Subordinate Swap Policy Agreements (whether or not any Subordinate Swaps or Subordinate Swap Policy Agreements have been executed and delivered).

"Subordinate Obligations" means the Subordinate Swaps, the Subordinate Swap Policy Agreements and the Subordinate Bonds.

"Subordinate Payments" means all amounts required to be paid when due by the City under the Subordinate Obligations.

"Subordinate Providers" means the Subordinate Swap Providers, the Subordinate Swap Policy Providers and the owners of the Subordinate Bonds.

"Subordinate Swap" means a written agreement for the purpose of managing or reducing the City's exposure to fluctuations in interest rates or for any other interest rate, investment, asset or liability managing purposes, entered into either on a current or forward basis by the City and a Subordinate Swap Provider to the extent authorized under the Law in connection with, or incidental to, the issuance of any Bonds (without regard to when issued), that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, options on such payments or any combination thereof, or any similar device; provided, however, that the written agreement with respect to each Subordinate Swap will provide that payments by the City thereunder will be secured by the subordinate lien on Net Operating Revenues created under the Resolution with respect to Subordinate Swaps (and other Subordinate Obligations).

"Subordinate Swap Payments" means: (i) the amounts periodically required to be paid when due by the City to all Subordinate Swap Providers under all Subordinate Swaps; and (ii) Termination Payments.

"Subordinate Swap Policy" means any insurance policy or similar agreement insuring payment of the City's obligations under a particular Subordinate Swap.

"Subordinate Swap Policy Agreement" means any agreement between the City and a Subordinate Swap Policy Provider obligating the City to reimburse such Subordinate Swap Policy Provider for amounts paid under the related Subordinate Swap Policy.

"Subordinate Swap Policy Provider" means, with respect to any Subordinate Swap Policy, the issuer or provider of a Subordinate Swap Policy.

“Subordinate Swap Provider” means, with respect to each Subordinate Swap, the entity (other than the City and, if applicable, the Fiscal Agent) that is a party thereto, and its permitted successors and assigns, whose senior long-term debt obligations, other senior unsecured long-term obligations, financial program rating, counterparty rating or claims paying ability is or are rated at least equivalent to “A2” and “A” from at least two nationally recognized credit rating agencies, or whose payment obligations under the Subordinate Swap are enhanced by a credit support provider or other similar entity whose senior long-term debt obligations, other senior unsecured long-term obligations, financial program rating, counterparty rating or claims paying ability is or are rated at least equivalent to “A2” and “A” from at least two nationally recognized credit rating agencies and whose credit enhancement of the Subordinate Swap Provider’s obligations under the Subordinate Swap are pursuant to a guaranty or other form of credit enhancement (including, but not limited to, contingent swap counterparty arrangements, transfer/novation arrangements or option arrangements acceptable to the Treasurer or any duly authorized designee of the Treasurer designated by the Treasurer in writing to act on behalf of such officer for such purpose (such acceptance to be evidenced by the execution and delivery of any such Subordinate Swap)).

“Subordinate Swap Receipts” means the amounts periodically required to be paid by all Subordinate Swap Providers to the City under all Subordinate Swaps.

“Supplemental Resolution” means any resolution duly executed and delivered, supplementing, modifying or amending the Resolution in accordance with the Resolution.

“Surplus Account” means the Electric Revenue Bonds, Surplus Account established pursuant to the Resolution in the Electric Revenue Fund.

“Term Bonds” means Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

“Termination Payments” means any payments due and payable by the City to a Subordinate Swap Provider in connection with the termination of a Subordinate Swap.

“Treasurer” means the Treasurer of the City who may also be a Fiscal Agent for a Series of Bonds if so designated in the Supplemental Resolution authorizing the issuance of such Series.

“Variable Rate Indebtedness” means any indebtedness or obligation, other than Paired Obligations, the interest rate on, or amount of, which is not fixed at the time of incurrence of such indebtedness or obligation, and has not at some subsequent date been fixed, at a single numerical rate for the entire remaining term of the indebtedness or obligation.

“1998 Bonds” means the City of Riverside Electric Refunding/Revenue Bonds, Issue of 1998.

“2001 Bonds” means the City of Riverside Electric Revenue Bonds, Issue of 2001.

“2003 Bonds” means the City of Riverside Electric Refunding Revenue Bonds, Issue of 2003.

“2004A Bonds” means the City of Riverside Electric Revenue Bonds, Issue of 2004A.

“2008A Bonds” means the City of Riverside Variable Rate Refunding Electric Revenue Bonds, Issue of 2008A.

“2008B Bonds” means the City of Riverside Variable Rate Refunding Electric Revenue Bonds, Issue of 2008B.

“2008C Bonds” means the City of Riverside Variable Rate Refunding Electric Revenues Bonds, Issue of 2008C.

"2008D Bonds" means the City of Riverside Electric Revenue Bonds, Issue of 2008D.

"2019 Bonds" means City of Riverside Refunding Electric Revenue Bonds, Issue of 2019.

Content of Certificates and Opinions. Every certificate or opinion provided for in the Resolution with respect to compliance with any provision of the Resolution will include: (1) a statement that the Person making or giving such certificate or opinion has read such provision and the definitions in the Resolution relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement (a) that, in the opinion of such Person, he or she has made or caused to be made such examination or investigation as is necessary to enable him or her to express an informed opinion with respect to the subject matter or (b) that he or she had made or caused to be made his or her examination or investigation with respect to the subject matter in accordance with specified professional standards; and (4) a statement as to whether, in the opinion of such Person, such provision has been complied with.

Any such certificate or opinion made or given by an officer or employee of the City may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel, an accountant or an independent consultant, unless such officer or employee knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an accountant or an independent consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the City) upon a certificate or opinion of or representation by an officer or employee of the City, unless such counsel, accountant or independent consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such Person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer or employee of the City, or the same counsel or accountant or independent consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of the Resolution, but different officers, employees, counsel, accountants or independent consultants may certify to different matters, respectively.

THE BONDS

Execution of Bonds. Unless otherwise provided in the Supplemental Resolution providing for the issuance thereof, the Bonds of each Series will be executed in the name and on behalf of the City with the facsimile or manual signature of the Mayor and the Treasurer, under seal attested by the facsimile or manual signature of the City Clerk. Such seal may be in the form of a facsimile of the City's seal and may be reproduced, imprinted or impressed on the Bonds. Unless otherwise provided in the Supplemental Resolution providing for the issuance thereof, the Bonds of each Series will be delivered to the Fiscal Agent for that Series for authentication by it. In case any of the Persons who signed or attested any of the Bonds ceases to hold their respective offices or positions before the Bonds so signed or attested have been authenticated or delivered by the Fiscal Agent or issued by the City, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, will be as binding upon the City as though those who signed and attested the same had continued to be such officers or employees, and also any Bond may be signed and attested on behalf of the City by such Persons as at the actual date of execution of such Bond are the proper officers or employees although at the nominal date of such Bond any such Person are not such officer or employee.

Except as provided in the Supplemental Resolution providing for the issuance thereof, only such of the Bonds as bear thereon a certificate of authentication substantially in the form recited in the Supplemental Resolution creating such Series, manually executed by the Fiscal Agent for such Series, will be valid or obligatory for any purpose or entitled to the benefits of the Resolution, and such certificate of authentication when manually executed by such Fiscal Agent will be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered under the Resolution and are entitled to the benefits of the Resolution.

Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the register required to be kept pursuant to the provisions of the Resolution, by the Person in whose name it is registered, in Person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Fiscal Agent for such Bond.

Whenever any Bond or Bonds of a Series are surrendered for transfer, the City will execute and the Fiscal Agent for that Series will authenticate and deliver a new Bond or Bonds, of the same Series, tenor and maturity and for a like aggregate principal amount; provided that, unless otherwise provided in any Supplemental Resolution, a Fiscal Agent is not required to register a transfer of any Bonds within 15 days before the date of selection of Bonds for redemption, or of any Bond or portion of a Bond so selected for redemption. A Fiscal Agent may require the Bondholder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

Exchange of Bonds. Bonds of any Series may be exchanged at the designated office of the Fiscal Agent for that Series for a like aggregate principal amount of Bonds of other authorized denominations of the same Series, tenor and maturity; provided that, unless otherwise provided in any Supplemental Resolution, a Fiscal Agent is not required to exchange Bonds within 15 days before the date of selection of Bonds for redemption, or exchange any Bond or portion of a Bond so selected for redemption. The Fiscal Agent will require the Bondholder requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

Bond Register. The Fiscal Agent for each Series of Bonds will keep or cause to be kept, at its designated office sufficient books for the registration and transfer of the Bonds of that Series, which will at all times be open to inspection during normal business hours by the City; and, upon presentation for such purpose, the Fiscal Agent will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Bonds as provided in the Resolution.

Temporary Bonds. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bond may be printed, lithographed or typewritten, will be of such denomination as may be determined by the City, will be in registered form and may contain such reference to any of the provisions of the Resolution as may be appropriate. A temporary Bond may be in the form of a single Bond payable in installments, each on the date, in the amount and at the rate of interest established for the Bonds maturing on such date. Every temporary Bond will be executed by the City and authenticated by the Fiscal Agent upon the same conditions and in substantially the same manner as the definitive Bonds. If the City issues temporary Bonds it will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the designated office of the Fiscal Agent for such Series and that Fiscal Agent will authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of the same Series, tenor and maturity or maturities. Until so exchanged, the temporary Bonds will be entitled to the same benefits under the Resolution as definitive Bonds authenticated and delivered thereunder.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond becomes mutilated, the City at the expense of the Owner of said Bond, will execute, and the Fiscal Agent for such Bond will thereupon authenticate and deliver, a new Bond of like tenor and amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent for that Bond will be cancelled by it and destroyed. If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the City and the Fiscal Agent for that Bond and, if such evidence be satisfactory to both that Fiscal Agent and the City and indemnity satisfactory to them is given, the City at the expense of the Owner, will execute, and the Fiscal Agent will thereupon authenticate and deliver, a new Bond of like tenor and amount in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond has matured or has been called for redemption, instead of issuing a substitute Bond, the Fiscal Agent for that Series may pay the same without surrender thereof upon receipt of the aforementioned indemnity). The City may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under the Resolution and of the expenses which may be incurred by the City and the Fiscal Agent in the premises. Any Bond issued under the provisions of the Resolution in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and will be entitled to the benefits of the Resolution with all other Bonds secured by the Resolution. Neither the City nor any Fiscal Agent will be required to treat both the original Bond and any substitute Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued under the Resolution or for the purpose of determining any percentage of Bonds Outstanding thereunder, but both the original and substitute Bond will be treated as one and the same.

REDEMPTION OF BONDS

Redemption at the Direction of the City. In the case of any redemption of Bonds at the direction of the City, the City will select the Series, maturities and principal amounts thereof to be redeemed and the Treasurer will give written notice to the Fiscal Agent for each Series of Bonds to be redeemed specifying the redemption date and the maturities and Bond Obligation amounts of such Series to be redeemed, and directing the Fiscal Agent to give notice of redemption to the Owners of Bonds selected for redemption. The City will give such notice at least 15 Business Days (or such shorter period as may be agreed to by the Fiscal Agent) before the last day on which the Fiscal Agent for that Series may give notice of redemption to the Owners of the Bonds of that Series.

Redemption Otherwise than at the City's Direction. Whenever by the terms of the Supplemental Resolution pursuant to which any Series of Bonds is issued the Fiscal Agent is required or authorized to redeem Bonds otherwise than at the direction of the City, the Fiscal Agent will, subject to receipt of any notice from the City pursuant to Resolution, select the Bonds to be redeemed and will give the notice of redemption.

REVENUES

Pledge of Net Operating Revenues for Bonds and for Subordinate Obligations. The Bonds of each Series are special limited obligations of the City and are secured by a pledge of and will be a charge upon and will be payable, as to the principal thereof, interest thereon, and any premiums upon redemption thereof, solely from and secured by a lien upon the Net Operating Revenues and other funds, assets and security described under the Resolution and under the Supplemental Resolution creating that Series. The City by the Resolution has pledged, placed a charge upon and assigned all Net Operating Revenues to secure the payment of the principal of, premium, if any, and interest on the Bonds and Parity Debt in accordance with their respective terms without priority or distinction of one over the other, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution, and the Net Operating Revenues constitute a trust fund for the security and payment of the interest and any premium on and principal of the Bonds and Parity Debt. There are by the Resolution pledged to secure the payment of the principal of and premium, if any, and interest on the Bonds in accordance with their terms all amounts (including proceeds of the Bonds) held by the Treasurer in the Bond Service Account, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

The Subordinate Obligations are special limited obligations of the City and are secured by a pledge of and will be a charge upon and will be payable solely from and secured by a lien upon the Net Operating Revenues; provided, however, that such pledge and lien will be junior and subordinate to the pledge and lien created for the benefit, security and protection of the Owners of the Bonds and the owners of the Parity Debt. The City by the Resolution pledges, places a charge upon and assigns the Net Operating Revenues to secure the payment of Subordinate Obligations in accordance with their respective terms without priority or distinction of one over the other, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution (including that the pledge and lien on the Net Operating Revenues are junior and subordinate to the pledge and lien created for the benefit, security and protection of the Owners of the Bonds and the owners of the Parity Debt), and the Net Operating Revenues constitute a trust fund for the security and payment of the Subordinate Obligations (on a basis junior and subordinate to the pledge and lien created for the benefit of the Owners of the Bonds' and the owners of the Parity Debt). There are by the Resolution pledged to secure the payment of the Subordinate Obligations in accordance with their respective terms amounts (excluding proceeds of the Bonds) held by the Treasurer in the Bond Service Account, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

Out of Gross Operating Revenues there will be applied as set forth in the Resolution all sums required for the payment of the Operating and Maintenance Expenses and, thereafter, to the following: the principal of (including any premium thereon) and interest on the Bonds and all Parity Debt, together with any sinking fund payments of the Bonds and Parity Debt and any reserve fund with respect thereto; the payment of amounts due under the Subordinate Obligations; and the excess earnings or rebate requirements with respect to the Bonds. All remaining Gross Operating Revenues, after making the foregoing allocations, will be surplus and may be used for any lawful purpose. The pledges of Net Operating Revenues made in the Resolution will be irrevocable until there are no longer Bonds Outstanding and all amounts due under the Subordinate Obligations have been paid.

Establishment of Funds and Accounts. The Resolution has created, renamed or continued, and the Treasurer will maintain in accordance with the terms of the Resolution, within the Electric Revenue Fund, the following accounts and sub-accounts:

(1) Electric Revenue Bonds, Bond Service Account (sometimes called "Bond Service Account"), in which there are established the following sub-accounts:

(a) Electric Revenue Bonds, Principal Account (sometimes called the "Principal Account"); and

(b) Electric Revenue Bonds, Interest Account (sometimes called the "Interest Account");

(2) Electric Revenue Bonds, Renewal and Replacement Account (sometimes called the "Renewal and Replacement Account"); and

(3) Electric Revenue Bonds, Surplus Account (sometimes called the "Surplus Account").

All funds, accounts and sub-accounts established or continued under the Resolution or by any Supplemental Resolution will be held by the Treasurer or, if applicable, a Fiscal Agent, and will be accounted for separate and apart from all other funds and moneys of the Treasurer or such Fiscal Agent until all Bonds have been paid in full or discharged in accordance with the Resolution and any Supplemental Resolution and all Subordinate Obligations have been paid in full in accordance with their respective terms.

Establishment, Funding and Application of Redemption Account. The Treasurer will establish, maintain and hold in trust a special account within the Electric Revenue Fund designated as the "Redemption Account." All moneys deposited with the Treasurer for the purpose of optionally redeeming Bonds will, unless otherwise directed by the City, be deposited in the Redemption Account. All amounts deposited in the Redemption Account will be used and withdrawn by the Treasurer solely for the purpose of redeeming Bonds of any Series, in the manner, at the times and upon the terms and conditions specified in the Supplemental Resolution pursuant to which the Series of Bonds was created; provided that, at any time prior to the Fiscal Agent for such Series giving notice of redemption, the Treasurer will, upon receipt of a Request of the City, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding, in the case of Current Interest Bonds, accrued interest, which is payable from the Interest Account) as is directed by the City except that the purchase price (exclusive of such accrued interest) may not exceed the Redemption Price or Accreted Value then applicable to such Bonds. All Term Bonds purchased or redeemed from amounts in the Redemption Account will be allocated to Mandatory Sinking Account Payments applicable to such Series and maturity of Term Bonds as may be specified in a Request of the City.

Investment of Moneys in Funds and Accounts. All moneys in any of the funds and accounts held by the Treasurer or any Fiscal Agent and established pursuant to the Resolution will be invested solely in Authorized Investments maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Treasurer or such Fiscal Agent.

Unless otherwise provided in a Supplemental Resolution with respect to any fund or account created pursuant to that Supplemental Resolution, all interest, profits and other income received from the investment of moneys in any fund or account will be transferred to the Electric Revenue Fund when received. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Authorized Investment equal to the amount of accrued interest, if any, paid as part of the purchase price of such Authorized Investment will be credited to the fund or account from which such accrued interest was paid.

Unless otherwise provided in a Supplemental Resolution with respect to any fund or account created pursuant to that Supplemental Resolution, the Treasurer and any Fiscal Agent may commingle any of the accounts established pursuant to the Resolution into a separate account or accounts for investment purposes only, provided that all accounts or sub-accounts held by the Treasurer or any Fiscal Agent under the Resolution will be accounted for separately as required by the Resolution. The Treasurer or any Fiscal Agent may sell at the best price obtainable, or present for redemption, any Authorized Investment so purchased whenever it is necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the account to which such Authorized Investment is credited.

The Treasurer and each Fiscal Agent will keep proper books of record and accounts containing complete and correct entries of all transactions made by each, respectively, relating to the receipt, investment, disbursement, allocation and application of the moneys related to the Bonds, including moneys derived from, pledged to, or to be used to make payments on the Bonds. Such records will specify the account to which each investment (or portion thereof) held by the Treasurer and each Fiscal Agent is to be allocated and will set forth, in the case of each Authorized Investment: (a) its purchase price; (b) identifying information, including par amount, coupon rate, and payment dates; (c) the amount received at maturity or its sale price, as the case may be, including accrued interest; (d) the amounts and dates of any payments made with respect thereto; and (e) the dates of acquisition and disposition or maturity.

COVENANTS OF THE CITY

Covenants. The City makes the following covenants with the Owners and the Subordinate Providers (to be performed by the City or its proper officers, agents or employees) which covenants are necessary and desirable for the protection and security of the Owners and the Subordinate Providers; provided, however, that said covenants do not require or obligate the City to use any of its funds other than the Electric Revenue Fund. Said covenants will be in effect subject to certain provisions of the Resolution, so long as any of the Bonds issued under the Resolution are Outstanding and unpaid, so long as any of the Subordinate Obligations are unpaid or so long as provision for the full payment and discharge of the Bonds at maturity or upon redemption thereof prior to maturity through the setting apart in the Bond Service Account or in the Redemption Account or in a special trust fund to insure the payment or redemption thereof (as the case may be) of money sufficient for that purpose has not been made.

Punctual Payment. The City has covenanted in the Resolution that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond issued under the Resolution, together with the premium thereon, if any, on the dates, at the place and in the manner mentioned in the Bonds in accordance with the Resolution, and that the payments into the Bond Service Account and any reserve fund or account will be made, all in strict conformity with the terms of the Bonds and of the Resolution and any Supplemental Resolutions, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Resolution and any Supplemental Resolutions and of the Bonds issued under the Resolution, and that time of such payment and performance is of the essence of the City's contract with the Owners of the Bonds.

The City has covenanted in the Resolution that it will duly and punctually pay or cause to be paid all amounts when due under the Subordinate Obligations, on the dates, at the place or places and in the manner mentioned therein in accordance with the Resolution, and that the payments into the Bond Service Account will be made, all in strict conformity with the terms of the Subordinate Obligations and of the Resolution and any Supplemental Resolutions, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Resolution and any Supplemental Resolutions, and that time of such payment and performance is of the essence of the City's contract with the Subordinate Providers.

Discharge Claims. The City has covenanted in the Resolution that in order to fully preserve and protect the priority and security of the Bonds and the subordinate priority and security of the Subordinate Obligations, the City will pay from the Electric Revenue Fund and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Electric System which, if unpaid, may become a lien or charge upon the revenues prior or superior to the lien of the Bonds or the lien of the Subordinate Obligations and impair the security of the Bonds or the Subordinate Obligations. The City will also pay from the Electric Revenue Fund all taxes and assessments or other governmental charges lawfully levied or assessed upon or in respect of the Electric System or upon any part thereof or upon any of the revenues therefrom.

Commence Acquisition and Construction. As soon as funds are available therefor, the City will commence the accomplishment of the purposes for which each Series of Bonds are issued and will continue the same to completion with all practical dispatch and in an economical manner.

Operate Electric System in Efficient and Economical Manner. The City has covenanted and agreed in the Resolution to operate the Electric System in an efficient and economical manner and to operate, maintain and preserve the Electric System in good repair and working order.

Against Sale; Eminent Domain. The City has covenanted in the Resolution that the Electric System will not be mortgaged or otherwise encumbered, sold, leased, pledged, any charge placed thereon, or disposed of as a whole or substantially as a whole unless such sale or other disposition be so arranged as to provide for a continuance of payments into the Electric Revenue Fund sufficient in amount to permit payment therefrom of the principal of and interest on and the premiums, if any, due upon the call and redemption thereof, of the Bonds and any Parity Debt and of any amounts due with respect to the Subordinate Obligations, and also to provide for such payments into any reserve account as are required under the terms of the Resolution or any Supplemental Resolutions or any Parity Debt documents. The Net Operating Revenues will not be mortgaged, encumbered, sold, leased, pledged, any charge placed thereon, or disposed of or used, nor will any charge be placed thereon, except as authorized by the terms of the Resolution or any Supplemental Resolutions. The City has further covenanted in the Resolution that it will not enter into any agreement which impairs the operation of the Electric System or any part of it necessary to secure adequate Net Operating Revenues to pay the principal of and interest on the Bonds or any Parity Debt and to pay all amounts due under the Subordinate Obligations or which otherwise would impair the rights of the Owners or the Subordinate Providers with respect to the Net Operating Revenues or the operation of the Electric System. If any substantial part of the Electric System is sold, the payment therefor will, at the option of the City Council, either be used for the acquisition, construction and financing of additions to and extension and improvements of the Electric System or will be placed in the Bond Service Account or the Redemption Account and will be used to pay or call and redeem Outstanding Bonds in the manner provided in the Resolution or any Supplemental Resolutions.

The City has covenanted in the Resolution that any amounts received as awards as a result of the taking of all or any part of the Electric System by the lawful exercise of eminent domain or sale under threat thereof, if and to the extent that such right can be exercised against such property of the City, will either be used for the acquisition and/or construction of improvements and extensions of the Electric System or will be placed in the Bond Service Account or the Redemption Account and will be used to pay or call and redeem Outstanding Bonds in the manner provided in the Resolution.

Insurance. The City has covenanted in the Resolution that it will at all times maintain with responsible insurers, to the extent available from responsible insurers at reasonable rates, or through a program of self-insurance (or a combination thereof) all such insurance on the Electric System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. If any useful part of the Electric System is damaged or destroyed, such part will be restored to use. The money collected from insurance against accident to or destruction of the Electric System will be used for repairing or rebuilding the damaged or destroyed Electric System, and to the extent not so applied, will be applied to the retirement of any Outstanding Bonds.

The City will also (by self-insuring or by maintenance with responsible insurers, to the extent available from responsible insurers at reasonable rates, or by a combination thereof) provide for worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the City and the Owners.

Records and Accounts. The City will keep proper books of records and accounts of the Electric System separate from all other records and accounts in which complete and correct entries will be made of all transactions relating to the Electric System. Said books will at all times be subject to the inspection of the Owners of not less than 10% of the Outstanding Bonds or their representatives authorized in writing.

The City will cause the books and accounts of the Electric System to be audited annually by an independent certified public accountant or firm of certified public accountants, and will make available for inspection by the

Owners at the office of the City Clerk, and at the office of the Treasurer and at the office of each Fiscal Agent, a copy of the report of such accountant or accountants.

No Free Service. Except to the extent that the City is required under agreements and/or contracts existing on the effective date of the Resolution, no electricity or other service from the Electric System may be furnished or rendered free to any public agency (such term to include the United States of America, the State of California, the City, and any other municipal or public corporation, district or public agency) or any private corporation or Person. No building or other real property of the Electric System will be furnished free to any such public agency or any private Person or corporation. The City will maintain and enforce valid regulations for the payment of bills for electric service. Such regulations will at all times during such period provide that the City will, to the extent permitted by law, discontinue electric service to any user whose electric bill has not been paid within the time fixed by said regulations.

THE FISCAL AGENT

Appointment; Duties of Fiscal Agent.

(A) The City may appoint a Fiscal Agent, who may be the Treasurer, for a Series of Bonds in the Supplemental Resolution pursuant to which such Bonds are issued. Each Fiscal Agent will act as the agent of the City and perform such duties and only such duties as are specifically set forth in the Resolution or the Supplemental Resolution pursuant to which it was appointed and no implied covenants will be read into the Resolution or such Supplemental Resolution against the Fiscal Agent. Each Fiscal Agent will exercise such of the rights and powers vested in it by the Resolution or the Supplemental Resolution pursuant to which it was appointed.

(B) The City may remove any Fiscal Agent at any time with or without cause and will remove any Fiscal Agent if at any time such Fiscal Agent ceases to be eligible in accordance with clause (E) below, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of such Fiscal Agent or its property is appointed, or any public officer takes control or charge of such Fiscal Agent or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to such Fiscal Agent, and thereupon appoints a successor Fiscal Agent by an instrument in writing.

(C) Each Fiscal Agent may at any time resign by giving 90 days prior written notice of such resignation to the City by giving the Owners notice of such resignation by mail at the addresses shown on the registration books maintained by such Fiscal Agent and by giving prior written notice of such resignation by mail to the Subordinate Providers. Upon receiving such notice of resignation, the City will promptly appoint a successor Fiscal Agent by an instrument in writing.

(D) Any removal or resignation of a Fiscal Agent and appointment of a successor Fiscal Agent will become effective only upon acceptance of appointment by the successor Fiscal Agent. If no successor Fiscal Agent has been appointed and has accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Fiscal Agent may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Fiscal Agent. Any successor Fiscal Agent appointed under the Resolution, will signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Fiscal Agent a written acceptance thereof, and thereupon such successor Fiscal Agent, without any further act, deed or conveyance, will become vested with all the rights, powers, duties and obligations of such predecessor Fiscal Agent, with like effect as if originally named Fiscal Agent in the Resolution. Upon request of the successor Fiscal Agent, the City and the predecessor Fiscal Agent will execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Fiscal Agent all such rights, powers, duties and obligations.

(E) Unless otherwise provided in a Supplemental Resolution any Fiscal Agent appointed under the provisions of the Resolution in succession to a Fiscal Agent will be either the Treasurer or a trust company or bank having the powers of a trust company and having a corporate trust office in the State. Any such bank or trust company will have a combined capital and surplus of at least one hundred million dollars ($100,000,000) and be subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the regulations of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Each successor will be a bank or a trust company doing business in and having an office in the city where the predecessor did business and had an office.

Upon merger, consolidation, or reorganization of a Fiscal Agent, the City will appoint a new Fiscal Agent, which may be the corporation resulting from such reorganization. In case at any time a Fiscal Agent ceases to be eligible in accordance with the provisions of paragraph (E) above, such Fiscal Agent will resign immediately in the manner and with the effect specified in the Resolution.

If, by reason of the judgment of any court, a Fiscal Agent for a Series of Bonds or any successor Fiscal Agent is rendered unable to perform its duties under the Resolution, and if no successor Fiscal Agent be then appointed, all such duties and all of the rights and powers of such Fiscal Agent will be assumed by and vest in the Treasurer in trust for the benefit of the Bondholders of such Series.

Liability of Fiscal Agent.

(A) The recitals of facts in the Resolution, in the Supplemental Resolution pursuant to which a Fiscal Agent is appointed and in the Bonds of such Series contained will be taken as statements of the City, and the Fiscal Agent for such Series assumes no responsibility for the correctness of the same (other than the certificate of authentication of such Fiscal Agent on each Bond), and makes no representations as to the validity or sufficiency of the Resolution or of the Bonds, as to the sufficiency of the Net Operating Revenues or the priority of the lien of the Resolution thereon, or as to the financial or technical feasibility of any Project and will not incur any responsibility in respect of any such matter, other than in connection with the duties or obligations expressly in the Resolution or in the Bonds assigned to or imposed upon it. Each Fiscal Agent will, however, be responsible for its representations contained in its certificate of authentication on the Bonds. A Fiscal Agent will not be liable in connection with the performance of its duties under the Resolution, except for its own negligence, willful misconduct or breach of the express terms and conditions of the Resolution. A Fiscal Agent and its directors, officers, employees or agents may in good faith buy, sell, own, hold and deal in any of the Bonds of a Series for which it has been appointed Fiscal Agent and may join in any action which any Owner of a Bond may be entitled to take, with like effect as if such Fiscal Agent was not the Fiscal Agent for such Series of Bonds. Each Fiscal Agent may in good faith hold any other form of indebtedness of the City, own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of the City and make disbursements for the City and enter into any commercial or business arrangement therewith, without limitation.

(B) A Fiscal Agent will not be liable for any error of judgment made in good faith by a responsible officer unless it is proven that such Fiscal Agent was negligent in ascertaining the pertinent facts. A Fiscal Agent may execute any of the rights or powers of the Resolution and perform the duties required of it under the Resolution by or through attorneys, agents, or receivers, and will be entitled to advice of counsel concerning all matters of trust and its duty under the Resolution, but such Fiscal Agent will be answerable for the negligence or misconduct of any such attorney-in-fact, agent, or receiver selected by it; provided that such Fiscal Agent will not be answerable for the negligence or misconduct of any attorney-in-law, agent or receiver selected by it with due care.

(C) No provision of the Resolution requires a Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties under the Resolution or under the Supplemental Resolution pursuant to which it was appointed, or in the exercise of its rights or powers.

(D) A Fiscal Agent is not required to ascertain, monitor or inquire as to the performance or observance by the City of the terms, conditions, covenants or agreements set forth in the Resolution or in the Supplemental Resolution pursuant to which it was appointed, other than the covenants of the City to make payments with respect to the Bonds when due as set forth in the Resolution and to file with such Fiscal Agent when due, such reports and certifications as the City is required to file with each Fiscal Agent under the Resolution.

(E) No permissive power, right or remedy (if any) conferred upon a Fiscal Agent imposes a duty to exercise such power, right or remedy.

(F) A Fiscal Agent will not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document but a Fiscal Agent, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if a Fiscal Agent determines to make such further inquiry or investigation, it will be entitled to examine the books, records and premises of the City, personally or by agent or attorney.

(G) Whether or not therein expressly so provided, every provision of the Resolution relating to the conduct or affecting the liability of or affording protection to any Fiscal Agent will be subject to the provisions described above.

Right of Fiscal Agent to Rely on Documents. A Fiscal Agent will be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. A Fiscal Agent may consult with counsel, including, without limitation, counsel of or to the City, with regard to legal questions, and the written opinion of such counsel addressed to the particular Fiscal Agent will be full and complete authorization and protection in respect of any action taken or suffered by it under the Resolution in good faith and in accordance therewith unless it is proven that a Fiscal Agent was negligent in ascertaining the pertinent facts.

Whenever in the administration of the duties imposed upon it by the Resolution a Fiscal Agent deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matter (unless other evidence in respect thereof be specifically prescribed in the Resolution) may be deemed to be conclusively proved and established by a Certificate of the City, and such Certificate will be full warrant to a Fiscal Agent for any action taken or suffered in good faith under the provisions of the Resolution in reliance upon such Certificate. A Fiscal Agent may also rely conclusively on any report or certification of any certified public accountant, investment banker, financial consultant, or other expert selected by the City or selected by such Fiscal Agent with due care in connection with matters required to be proven or ascertained in connection with its administration of the duties created by the Resolution.

MODIFICATION OR AMENDMENT OF THE RESOLUTION

Amendments Permitted.

(A) (1) The Resolution and the rights and obligations of the City, the Owners of the Bonds, the Subordinate Providers and any Fiscal Agent may be modified or amended from time to time and at any time by filing with each Fiscal Agent (or if such modification or amendment is only applicable to a Series of Bonds, to such Fiscal Agent) a Supplemental Resolution, adopted by the City Council with the written consent of the Owners of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Resolution is only applicable to a Series of Bonds, the Bonds of that Series) then Outstanding and, if the modification or amendment affects certain specified provisions of the Resolution in a material adverse manner to one or more Subordinate Providers, then with the written consent of the affected Subordinate Swap Providers and Subordinate Swap Policy Providers and the affected owners of a majority in aggregate amount of the Subordinate Bonds owned by the affected owners; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain outstanding, the consent of the Owners of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under the Resolution.

(2) No such modification or amendment may: (a) extend the fixed maturity of any Bond, or reduce the amount of Bond Obligation thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected; (b) reduce the aforesaid percentage of Bond Obligation the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Net Operating Revenues and other assets pledged under the Resolution prior to or on a parity with the lien created by the Resolution for the benefit of the Owners of the Bonds, or deprive the Owners of the Bonds of such lien created by the Resolution on such Net Operating Revenues and other assets (in each case, except as

expressly provided in the Resolution), without the consent of the Owners of all of the Bonds then Outstanding; (c) extend or reduce the amount payable by the City under any Subordinate Obligation without the consent of the affected Subordinate Swap Provider, affected Subordinate Swap Policy Provider or affected owner of a Subordinate Bond; (d) permit the creation of any lien on the Net Operating Revenues prior to or on a parity with the subordinate lien created by the Resolution for the benefit of the Subordinate Providers, or deprive the Subordinate Providers of such lien created by the Resolution on such Net Operating Revenues (in each case, except as expressly provided in the Resolution), without the consent of the affected Subordinate Swap Providers, affected Subordinate Swap Policy Providers and affected owners of a majority in aggregate amount of the Subordinate Bonds owned by the affected owners; or (e) modify any rights or duties of the Fiscal Agent without its consent.

It is not necessary for the consent of the Bondholders to approve the particular form of any Supplemental Resolution, but it will be sufficient if such consent approves the substance thereof. Promptly after the adoption by the City Council of any Supplemental Resolution pursuant to the Resolution, the Fiscal Agent for each Series of Bonds that may be affected by any such modification or amendment will mail a notice provided by the City, setting forth in general terms the substance of such Supplemental Resolution to the Owners of the Bonds at the addresses shown on the registration books of the Fiscal Agent. Any failure to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such Supplemental Resolution.

(B) The Resolution and the rights and obligations of the City, of each Fiscal Agent and of the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Resolution, which the City Council may adopt without the consent of any Bondholders but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the City in the Resolution thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved in the Resolution to or conferred upon the City, in each case which will not materially and adversely affect the interests of the Owners of any of the Bonds;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Resolution, or in regard to matters or questions arising under the Resolution, as the City Council may deem necessary or desirable, and which will not materially and adversely affect the interests of the Owners of any of the Bonds;

(3) to modify, amend or supplement the Resolution in such manner as to permit the qualification of the Resolution under the Trust Indenture Act of 1939, as amended, or any similar federal statute later in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which will not materially and adversely affect the interests of the Owners of any of the Bonds;

(4) to provide for the issuance of a Series of Bonds with such interest rate, payment, maturity and other terms as the City may deem desirable; subject to the provisions of the Resolution;

(5) to provide for the issuance of Bonds in book-entry form or bearer form, provided that no such provision materially and adversely affects the interests of the Owners of any of the Bonds;

(6) if the City has covenanted in a Supplemental Resolution to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation, to make-such provisions as are necessary or appropriate to ensure such exclusion; and

(7) for any other purpose that does not materially and adversely affect the interests of the Owners of any of the Bonds.

Effect of Supplemental Resolution. From and after the time any Supplemental Resolution becomes effective pursuant to the Resolution, the Resolution will be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Resolution of the City, each Fiscal Agent, all Owners of Bonds Outstanding and all Subordinate Providers will thereafter be determined, exercised and enforced under the Resolution subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Resolution will be deemed to be part of the terms and conditions of the Resolution for any and all purposes.

Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after any Supplemental Resolution becomes effective pursuant to the Resolution may, and if a Fiscal Agent so determines will, bear a notation by endorsement or otherwise in form approved by the City Council and such Fiscal Agent as to any modification or amendment provided for in such Supplemental Resolution, and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such execution and presentation of his or her Bond for such purpose at the Corporate Trust Office of such Fiscal Agent or at such additional offices as such Fiscal Agent may select and designate for that purpose, a suitable notation will be made on such Bond. If a Supplemental Resolution so provides, new Bonds so modified as to conform, in the opinion of the Treasurer and the Fiscal Agent for such Series, to any modification or amendment contained in such Supplemental Resolution, will be prepared and executed by the City and authenticated by such Fiscal Agent, and upon demand of the Owners of any Bonds then outstanding will be exchanged at the Corporate Trust Office of such Fiscal Agent, without cost to any Bondholder, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amounts of the same Series, tenor and maturity.

Amendment of Particular Bonds. The foregoing provisions will not prevent any Bondholder from accepting any amendment as to the particular Bands held by him or, her, provided that due notation thereof is made on such Bonds.

DEFEASANCE

Discharge of Resolution. Except as may be provided in any Supplemental Resolution creating a Series of Bonds, Bonds of any Series may be paid by the City in any of the following ways: (a) by paying or causing to be paid the Bond Obligation of and interest on all Bonds Outstanding of the Series, as and when the same become due and payable; (b) by depositing with the Treasurer, the Fiscal Agent for such Series, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Resolution) to pay or redeem all Bonds Outstanding of the Series; or (c) by delivering to the Fiscal Agent for such Series, for cancellation by it, all Bonds then Outstanding of the Series.

If the City pays all Series for which any Bonds are Outstanding and also pays or causes to be paid all other sums payable to any provider of a Credit Facility under the Resolution by the City and all sums payable to all Subordinate Providers by the City, then and in that case, at the election of the City (evidenced by a Certificate of the City, filed with each Fiscal Agent, signifying the intention of the City to discharge all such indebtedness and the Resolution), and notwithstanding that any Bonds have not been surrendered for payment, the Resolution and the pledge of Net Operating Revenues and other assets made under the Resolution and all covenants, agreements and other obligations of the City under the Resolution will cease, terminate, become void and be completely discharged and satisfied. In such event, upon Request of the City, the Treasurer will cause an accounting for such period or periods as the City may request to be prepared and filed with the City and will cause to be executed and delivered to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction.

Discharge of Liability on Bonds. Upon the deposit with the Treasurer or the Fiscal Agent for a Series, an escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Resolution) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, irrevocable notice of such redemption will have been given as provided in the Resolution or provision satisfactory to such Fiscal Agent will have been made for the giving of such notice, then all liability of the City in respect of such Bond will cease, terminate and be completely discharged; provided that the Owner thereof will thereafter be entitled to the payment of the principal of and premium, if any, and interest on such Bond, and the City will remain liable for such payment, but only out of such money or securities deposited as aforesaid for their payment, subject, however, to certain provisions of the Resolution and the continuing duties of the Fiscal Agent for such Series under the Resolution.

The City may at any time surrender to the Fiscal Agent for a Series for cancellation by it any Bonds previously issued and delivered, which the City may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, will be deemed to be paid and retired.

Deposit of Money or Securities with Treasurer. Whenever in the Resolution it is provided or permitted that there be deposited with or held in trust by the Treasurer or the Fiscal Agent for a Series, an escrow agent or other fiduciary, money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Treasurer in the accounts and sub-accounts established pursuant to the Resolution and will be one or more of the following:

(a) lawful money of the United States of America in an amount equal to the Bond Obligation of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption has been given as provided in the Resolution or provision satisfactory to the Fiscal Agent for such Series has been made for the giving of such notice, the amount to be deposited or held will be the Bond Obligation or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) non-callable Federal Securities or Municipal Obligations, the principal of and interest on which when due will; in the opinion of an independent certified public accountant delivered to the Fiscal Agent of such Series for which payment is being made (upon which opinion such Fiscal Agent may conclusively rely), provide money sufficient to pay the Bond Obligation or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such Bond Obligation or Redemption Price and interest become due; provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as provided in the Resolution or provision satisfactory to the Fiscal Agent for such Series will have been made for the giving of such notice;

provided, in each case, that the Fiscal Agent for such Series will have been irrevocably instructed (by the terms of the Resolution or by Request of the City) to apply such money to the payment of such Bond Obligation or Redemption Price and interest with respect to such Bonds.

Payment of Bonds After Discharge of Resolution. Any moneys held by the Fiscal Agent of a Series, an escrow agent or other fiduciary in trust for the payment of the principal or Accreted Value of, premium, if any, or interest on, any Bond of such Series and remaining unclaimed for two years after such principal or Accreted Value of, premium, if any, or interest on such Bond of such Series has become due and payable (whether at maturity or upon call for redemption as provided in the Resolution), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when such Bond became so due and payable, will, upon Request of the City, be released from the trusts created by the Resolution and transferred to the Treasurer, and all liability of the Fiscal Agent for such Series, an escrow agent or other fiduciary with respect to such moneys will thereupon cease; provided, however, that before the release of such trust as aforesaid, such Fiscal Agent may (at the cost of the City) first mail to the Owners of any Bonds of such Series remaining unpaid at the addresses shown on the registration books maintained by such Fiscal Agent a notice, in such form as may be deemed appropriate by such Fiscal Agent, with respect to the Bonds of such Series so payable and not presented and with respect to the provisions relating to the repayment to the Treasurer of the moneys held for the payment thereof. All moneys held by or on behalf of the Treasurer, the Fiscal Agent for such Series, an escrow agent or other fiduciary for the payment of Bond Obligation of or interest or premium on Bonds of such Series, whether at redemption or maturity, will be held in trust for the account of the Owners thereof and the Treasurer, the Fiscal Agent for such Series, an escrow agent or other fiduciary will not be required to pay Owners any interest on, or be liable to the Owners or any other Person (other than the City) for any interest earned on, moneys so held. Any interest earned thereon will belong to the City and will be deposited monthly by the Treasurer into the Bond Service Account.

DEFAULTS AND REMEDIES

Events of Default. Each of the following events is an Event of Default under the Resolution:

(a) Default by the City in the due and punctual payment of the principal of, premium, if any, or Accreted Value on any Bond (whether at maturity, by acceleration, call for redemption or otherwise);

(b) Default by the City in the due and punctual payment of the interest on any Bond;

(c) Failure of the City to observe and perform any of its other covenants, conditions or agreements under the Resolution (other than covenants, conditions or agreements for the exclusive benefit of one or more of the Subordinate Providers) or in the Bonds for a period of 90 days after written notice from the Owners of 25% in aggregate amount of Bond Obligation then Outstanding, specifying such failure and requesting that it be remedied, or in the case of any such default that cannot with due diligence be cured within such 90 day period, failure of the City to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence;

(d) Destruction or damage to any substantial part of the Electric System to the extent of impairing its efficient operation or adversely affecting to a substantial degree the Net Operating Revenues and failure for any reason promptly to repair, replace or reconstruct the same (whether such failure promptly to repair, replace or reconstruct the same be due to the impracticability of such repair, replacement or reconstruction, the lack of funds therefor or for any other reason);

(e) (1) Failure of the City generally to pay its debts as the same become due; (2) commencement by the City of a voluntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or state bankruptcy, insolvency or other similar law; (3) consent by the City to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official for the City, the Electric System or any substantial part of the City's property, or to the taking possession by any such official of the Electric System or any substantial part of the City's property; (4) making by the City of any assignment for the benefit of creditors; or (5) taking of corporate action by the City in furtherance of any of the foregoing;

(f) The entry of any: (1) decree or order for relief by a court having jurisdiction over the City or its property in an, involuntary case under the Federal bankruptcy laws, as now or later constituted, or any other applicable Federal or state bankruptcy, insolvency or other similar law; (2) appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official for the City, the Electric System or any substantial part of the City's property; or (3) order for the termination or liquidation of the City of its affairs; or

(g) Failure of the City within 90 days after the commencement of any proceedings against it under the Federal bankruptcy laws or any other applicable Federal or state bankruptcy, insolvency or similar law, to have such proceedings dismissed or stayed.

The provisions of clauses (c) and (d) above are subject to the limitation that if by reason of force majeure the City is unable in whole or in part to observe and perform any of its covenants, conditions or agreements under the Resolution, the City will not be deemed in default during the continuance of such disability. The term "force majeure" as used in the Resolution includes without limitation acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States of America or of the State of California or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the City. The City will, however, remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements, provided that the settlement of strikes, lockouts and other industrial disturbances will be entirely within the discretion of the City, and the City will not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the City unfavorable to it.

Bondholders' Committee. If an Event of Default has occurred and is continuing, the Owners of 25% in aggregate amount of Bond Obligation may call a meeting of the Bondholders for the purpose of electing a Bondholders' committee (a "Bondholders' Committee"). At such meeting the Owners of not less than a majority in aggregate amount of Bond Obligation must be present in person or by proxy in order to constitute a quorum for the transaction of business, less than a quorum, however, having power to adjourn from time to time without any other notice than the announcement thereof at the meeting. A quorum being present at such meeting, the Owners present in person or by proxy may, by a majority of the votes cast, elect one or more persons, who may or may not be Owners, to the Bondholders' Committee. The Owners present in person or by proxy at such meeting, or at any adjourned meeting thereof: (a) will prescribe the manner in which the successors of the persons elected to the Bondholders' Committee will be elected or appointed; (b) may prescribe rules and regulations governing the exercise by the Bondholders' Committee of the power conferred upon it in the Resolution; and (c) may provide for the termination of the existence of the Bondholders' Committee. The Bondholders' Committee is declared by the Resolution to be trustee for the Owners of all Bonds then Outstanding, and are empowered to exercise in the name of the Bondholders' Committee as trustee all the rights and powers conferred in the Resolution on any Owner; provided, however, that whenever any provision of the Resolution requires the consent, approval or concurrence of the Owners of a specified percentage of Bond Obligation, in order to exercise the right or power conferred in the Resolution on the Owners to which such percentage obtains, the Bondholders' Committee either will be elected by or their election will be approved by or concurred in, and such committee will then represent, the Owners of such specified percentage of the Bond Obligation. A certificate of the election of the Bondholders' Committee, including the names and addresses of its chairman and other members, will be filed with the City Clerk.

Acceleration. Upon the occurrence and continuation of an Event of Default described in clauses (e), (f) or (g) under the caption "—Events of Default", the Bondholders' Committee or, if there is none, the Owners of 25% in aggregate amount of Bond Obligation may, by written notice to the City, declare the entire unpaid principal and Accreted Value of the Bonds due and payable and, thereupon, the entire unpaid principal and Accreted Value of the Bonds will forthwith become due and payable. Upon any such declaration the City will forthwith pay to the Owners of the Bonds the entire unpaid principal and Accreted Value of, premium, if any, and accrued interest on the Bonds, but only from Net Operating Revenues and other moneys specifically pledged for such purpose in the Resolution. If at any time after such a declaration and before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of such default or before the completion of the enforcement of any other remedy under the Resolution, the principal and Accreted Value of all Bonds that have matured or been called for redemption pursuant to any sinking fund provision and all arrears of interest have been paid and any other Events of Default which may have occurred have been remedied, then the Bondholders' Committee or, if there is none, the Owners of 25% in aggregate amount of Bond Obligation may, by written notice to the City, rescind or annul such declaration and its consequences. No such rescission or annulment will extend to or affect any subsequent default or impair any right consequent thereon.

Receiver. Upon the occurrence and continuation of an Event of Default for a period of 90 days, the Bondholders' Committee or, if there is none, the Owners of 25% in aggregate amount of Bond Obligation will be entitled to the appointment of a receiver upon application to any court of competent jurisdiction in the State of California. Any receiver so appointed may enter and take possession of the Electric System, operate, maintain and repair the same, to the extent permitted by law impose and prescribe rates, fees and other charges, and receive and apply all Net Operating Revenues thereafter arising therefrom in the same manner as the City itself might do. No bond will be required of such receiver.

Other Remedies; Rights of Bondholders. Upon the occurrence and continuation of an Event of Default the Owners may proceed to protect and enforce their rights by mandamus or other suit, action or proceeding at law or in equity, including an action for specific performance of any agreement contained in the Resolution. No remedy conferred by the Resolution upon or reserved to the Owners is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to any other remedy given to the Bondholders under the Resolution or now or later existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default or Event of Default will impair any such right or power or be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. No waiver of any default or Event of Default under the Resolution by the Owners will extend to or affect any subsequent default or Event of Default or impair any rights or remedies consequent thereon.

Unconditional Right to Receive Principal, Accreted Value, Premium and Interest. Nothing in the Resolution will, however, affect or impair the right of any Owner to enforce, by action at law, payment of the principal and Accreted Value of, premium, if any, or interest on any Bond at and after the maturity thereof, or on the date fixed for redemption or upon the same being declared due prior to maturity as provided in the Resolution, or the obligation of the City to pay the principal and Accreted Value of, premium, if any, and interest on each of the Bonds issued under the Resolution to the respective holders thereof at the time and place, from the source and in the manner in the Resolution and in the Bonds expressed.

MISCELLANEOUS

Liability of City Limited to Net Operating Revenues. Notwithstanding anything in the Resolution or in the Bonds, the City is not required to advance any moneys derived from any source other than the Net Operating Revenues and other money, assets and security pledged under the Resolution for any of the purposes in the Resolution mentioned, whether for the payment of the principal or Redemption Price of or interest on the Bonds, the payment of amounts due under the Subordinate Obligations, or for any other purpose of the Resolution.

The general fund of the City is not liable for the payment of any Bonds, any premium thereon upon redemption prior to maturity or their interest, or the payment of any Subordinate Obligations, nor is the credit or taxing power of the City pledged for the payment of any Bonds, any premium thereon upon redemption prior to maturity or their interest, or the payment of any Subordinate Obligations. The Owner of any Bond or any Subordinate Provider may not compel the exercise of the taxing power by the City or the forfeiture of any of its property. The principal of and interest on any Bonds and any premiums upon the redemption of any thereof prior to maturity are not a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues, except the Net Operating Revenues and other funds, security or assets which are pledged to the payment of the Bonds, interest thereon and any premiums upon redemption. Amounts payable under the Subordinate Obligations are not a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues, except the Net Operating Revenues (as provided in the Resolution).

Successor Is Deemed Included in All References to Predecessor. Whenever in the Resolution either the City, the Treasurer or any Fiscal Agent is named or referred to, such reference will include the successors or assigns thereof, and all the covenants and agreements in the Resolution contained by or on behalf of the City or any Fiscal Agent will bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Limitation of Rights to City, Fiscal Agents, Bondholders and Subordinate Providers. Nothing in the Resolution or in the Bonds or the Subordinate Obligations expressed or implied is intended or may be construed to give to any Person other than the City, each Fiscal Agent, the Owners of the Bonds and the Subordinate Providers, as applicable, any legal or equitable right, remedy or claim under or in respect of the Resolution or any covenant, condition or provision therein or contained in the Resolution, as applicable; and all such covenants, conditions and provisions are and will be held to be for the sole and exclusive benefit of the City, each Fiscal Agent, the Owners of the Bonds and the Subordinate Providers, as applicable.

Waiver of Notice. Whenever in the Resolution the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the Person entitled to receive such notice and in any such case the giving or receipt of such notice will not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Destruction or Delivery of Cancelled Bonds. Whenever in the Resolution provision is made for the cancellation by a Fiscal Agent and the delivery to the Treasurer of any Bonds, such Fiscal Agent may, in its sole discretion, in lieu of such cancellation and delivery, destroy such Bonds (in the presence of an officer of the Treasurer, if the Treasurer so requires), and deliver a certificate of such destruction to the Treasurer.

Severability of Invalid Provisions. If any one or more of the provisions contained in the Resolution or in the Bonds is for any reason held to be invalid, illegal or unenforceable in any respect, then such provision or provisions will be deemed severable from the remaining provisions contained in the Resolution and such invalidity, illegality or unenforceability will not affect any other provision of the Resolution, and the Resolution will be construed as if such invalid or illegal or unenforceable provision had never been contained in the Resolution. The City Council has declared that it would have adopted the Resolution and each and every other section, paragraph, sentence, clause or phrase of the Resolution and authorized the issuance of the Bonds and the execution and delivery or issuance of the Subordinate Obligations pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of the Resolution may be held illegal, invalid or unenforceable.

Evidence of Rights of Bondholders. Any request, consent or other instrument required or permitted by the Resolution to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and will be signed or executed by such Bondholders in Person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any Person of Bonds transferable by delivery, will be sufficient for any purpose of the Resolution and will be conclusive in favor of the Fiscal Agent for such Series and of the City if made in the manner provided in the Resolution.

The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instrument acknowledged to him or her the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds will be proved by the bond registration books held by the Fiscal Agent for such Series. The Fiscal Agent of a Series may establish a record date as of which to measure consent of the Bondholders of such Series in order to determine whether the requisite consents are received.

Except as may be provided in the Supplemental Resolution authorizing a Series of Bonds, any request, consent, or other instrument or writing of the Owner of any Bond of such Series will bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Fiscal Agent for such Series or the City in accordance therewith or reliance thereon.

Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Resolution, Bonds which are owned or held by or for the account of the City, or by any other obligor on the Bonds, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the City or any other obligor on the Bonds (except for any remarketing or other underwriting agent), will be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this section if the pledgee establishes to the satisfaction of the Fiscal Agent for such Series the pledgee's right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the City or any other obligor on the Bonds. In case of a dispute as to such right, any decision by such Fiscal Agent taken upon the advice of counsel will be full protection to such Fiscal Agent.

Money Held for Particular Bonds. The money held by the Treasurer or a Fiscal Agent for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds (or portions of Bonds in the case of registered Bonds redeemed in part only) will, on and after such date and pending such payment, be set aside on the City's books and held in trust by the Treasurer for the Owners of the Bonds entitled thereto, subject, however, to certain provisions of the Resolution.

Accounts and Sub-Accounts. Any accounts required by the Resolution to be established and maintained by the Treasurer or a Fiscal Agent may be established and maintained in the accounting records of the Treasurer or a Fiscal Agent, either as an account or a sub-account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a sub-account; but all such records with respect to all such accounts will at all times be maintained in accordance with customary standards of the industry, to the extent practicable, and with due regard for the protection of the security of the Bonds and the rights of every holder thereof.

Proceedings Constitute Contract. The provisions of the Resolution constitute a contract between the City and the Bondholders of such Bonds, and the provisions thereof will be enforceable by any Bondholder for the equal benefit and protection of all Bondholders similarly situated by mandamus, accounting, mandatory injunction or any other suit, action or proceeding at law or in equity that is now or may later be authorized under the laws of the State in any court of competent jurisdiction. The provisions of the Resolution also constitute a contract between the City and each Subordinate Provider, and the provisions of the Resolution will be enforceable by any such Provider by mandamus, accounting, mandatory injunction or any other suit, action or proceeding at law or in equity that is now or may later be authorized under the laws of the State in any court of competent jurisdiction; provided, however, that no such action by such a Provider may in any manner adversely affect the benefits, securities or protections granted to Owner of Bonds or owners of Parity Debt under the Resolution.

No remedy conferred by the Resolution upon any Bondholder is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred by any law of the State. No waiver of any default or breach of duty or contract by any Bondholder will affect any subsequent default or breach of duty or contract or impair any rights or remedies on said subsequent default or breach. No delay or omission of any Bondholder to exercise any right or power accruing upon any default will impair any such right or power or be construed as a waiver of any such default or acquiescence therein. Every substantive right and every remedy conferred upon the Bondholders may be enforced and exercised as often as may be deemed expedient. In case any suit, action or proceeding to reinforce any right or exercise any remedy will be brought or taken and the Bondholder will prevail, said Bondholder will be entitled to receive from the Electric Revenue Fund reimbursement for reasonable costs, expenses, outlays and attorney's fees and should said suit, action or proceeding be abandoned, or be determined adversely to the Bondholder then, and in every such case, the City and the Bondholder will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds of any Series, the Resolution will be irrepealable, but will be subject to modification to the extent and in the manner provided in the Resolution, but to no greater extent and in no other manner.

Future Contracts. Nothing contained in the Resolution will be deemed to restrict or prohibit the City from making contracts or creating bonded or other indebtedness payable from the general fund of the City, as the case may be, or from taxes or any source other than the Gross Operating Revenues, and from and after the sale of the Bonds of any Series, the general fund of the City will not include the Gross Operating Revenues and no contract or other obligation payable from the general fund of the City will be payable from the Gross Operating Revenues, except as provided in the Resolution.

Waiver of Personal Liability. No City Council member, officer, agent or employee of the City or any Fiscal Agent will be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Bonds or for the payment of amounts due under the Subordinate Obligations or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing contained in the Resolution will relieve any such City Council member, officer, agent or employee of the City or any Fiscal Agent from the performance of any official duty provided by law or by the Resolution.

Governing Law. The Resolution will be construed and governed in accordance with the laws of the State of California.

Business Day. Except as specifically set forth in a Supplemental Resolution, any payments or transfers which would otherwise become due on any day which is not a Business Day will become due or be made on the next succeeding Business Day and no interest will accrue for such period.

AMENDMENTS TO THE RESOLUTION

The Resolution has been amended to add Subsection (h) to the definition of "Maximum Annual Debt Service" as follows:

"(h) if interest on such Bonds or Parity Debt is reasonably anticipated to be reimbursed to the City by the United States of America pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009), or any future similar program, then interest payments with respect to such Bonds or Parity Debt will be excluded by the amount of such interest reasonably anticipated to be paid or reimbursed by the United States of America."

In addition, the following paragraph was added to the end of the provision described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2023A BONDS—Rate Covenant" in the Official Statement as follows:

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

The above amendments will not take effect while any of the 1998 Bonds, 2001 Bonds, 2003 Bonds, 2004A Bonds, 2008A Bonds, 2008B Bonds, 2008C Bonds or 2008D Bonds are outstanding or the Subordinate Swaps and Subordinate Swap Policy are in effect without the consent of the Subordinate Swap Providers (to the extent required by the Subordinate Swaps) or the Subordinate Swap Policy Providers (to the extent required by the Subordinate Swaps).

TWENTIETH SUPPLEMENTAL RESOLUTION

DEFINITIONS

All terms which are defined in the Master Resolution will, unless otherwise defined herein, have the same meanings, respectively, in the Twentieth Supplemental Resolution. Unless the context otherwise requires, the terms defined in the Twentieth Supplemental Resolution will, for all purposes of the Twentieth Supplemental Resolution and of any certificate, opinion or other document therein mentioned, have the meanings therein specified, to be equally applicable to both the singular and the plural forms of any of the terms therein defined. Unless otherwise defined in the Twentieth Supplemental Resolution, all terms used therein have the meanings assigned to such terms by the Law.

"Closing Certificate of the City" means a Certificate of the Chief Financial Officer/Treasurer of the City (or the Chief Financial Officer/Treasurer's designee) delivered at the time of the issuance of the 2023 Bonds, in substantially the form attached to the Twentieth Supplemental Resolution, which, among other things, provides certain terms of the 2023 Bonds to be issued pursuant to the Twentieth Supplemental Resolution, all as authorized pursuant to the terms thereof.

"Code" means the Internal Revenue Code of 1986, as amended.

"Designated Investments" means, with respect to the 2023 Bonds and subject to such further or other parameters as may be specified in the Closing Certificate of the City, the following:

(a) investment agreements, guaranteed investment contracts, funding agreements, or any other form of obligation or corporate note which represents the unconditional obligation of one or more banks, insurance companies or other financial institutions, or are guaranteed in full by a financial institution which has an unsecured rating, or which agreement is itself rated, as of the date of execution thereof, in one of the two highest Rating Categories by two or more Rating Agencies;

(b) repurchase agreements with financial institutions or banks insured by the FDIC or FSLIC, or any broker dealer with "retail customers" which falls under the jurisdiction of the Securities Investors Protection Corporation, provided that: (i) the overcollateralization is at 103% or 104%, computed weekly, consisting of securities of the types outlined in the California Government Code Section 53601; (ii) a third party custodian, the Fiscal Agent or the Federal Reserve Bank has possession of such obligations; (iii) the Fiscal Agent has perfected a first priority security interest in such obligations; and (iv) failure to maintain the requisite collateral percentage will require the Fiscal Agent to liquidate the collateral;

(c) forward delivery or forward purchase agreements with underlying securities of the types outlined in the California Government Code 53601;

(d) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California;

(e) any other investments which are rated in one of the two highest Rating Categories by one or more Rating Agencies which the City deems to be prudent investments and are not prohibited by law; and

(f) unsecured certificates of deposit, time deposits and bankers' acceptance (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated on the date of purchase "A-1+" or better by S&P and "P-1" by Moody's Investors Service and or certificates of deposit (including those of the Fiscal Agent, its parent and its affiliates) secured at all times by collateral that may be used by a national bank for purposes of satisfying its obligations to collateralize pursuant to federal law which are issued by commercial banks, savings and loan associations or mutual savings bank whose short-term obligations are rated on the date of purchase "A-1" or better by S&P, Moody's Investors Service and Fitch.

"DTC" means The Depository Trust Company, New York, New York and its successors and assigns.

"Fiscal Agent" means U.S. Bank Trust Company, National Association, the fiscal agent appointed pursuant to the Twentieth Supplemental Resolution, and any successor appointed in accordance with the Master Resolution.

"Master Resolution" means Resolution No. 17662 adopted by the City Council on January 8, 1991, as amended and supplemented from time to time, including as amended and supplemented by the Twentieth Supplemental Resolution.

"Twentieth Supplemental Resolution" means Resolution No. 24036 of the City Council adopted on September 19, 2023, and any amendments, modifications or supplements thereto.

"Nominee" means the nominee of the Securities Depository, which may be the Securities Depository, as determined from time to time pursuant to the Twentieth Supplemental Resolution.

"Participants" means those broker-dealers, banks and other financial institutions for which the Securities Depository holds certificates as securities depository.

"Record Date" means the close of business on the fifteenth day of each month preceding an interest payment date.

"Representation Letter" means a representation letter from the City to the Securities Depository as described in the Twentieth Supplemental Resolution.

"Securities Depository" means DTC, or, in accordance with then-current guidelines of the U.S. Securities and Exchange Commission, such other securities depository as the City may designate in a Certificate of the City delivered to the Fiscal Agent.

"Tax Certificate" means the tax certificate concerning certain matters pertaining to the use and investment of proceeds of the 2023 Bonds, executed and delivered by the City on the date of delivery of the 2023 Bonds, as the same may be supplemented or amended, including any and all exhibits attached thereto.

"2023 Rebate Account" means the Refunding Electric Revenue Bonds, Issue of 2023, Rebate Account established pursuant to the Twentieth Supplemental Resolution.

THE 2023 BONDS

Book-Entry System.

(A) General. The 2023 Bonds initially will be issued in the form of a separate single fully registered 2023 Bond (which may be typewritten) for each of the maturities of a Series of the 2023 Bonds. The City will cause the delivery of a separate single fully registered bond (which may be typewritten) for each maturity date of such 2023 Bonds of a Series in an authorized denomination corresponding to that total principal amount of the 2023 Bonds of such Series designated to mature on such date. Upon initial issuance, the ownership of each such 2023 Bond will be registered in the Bond Register in the name of the Nominee, as nominee of the Securities Depository, and ownership of the 2023 Bonds, or any portion thereof may not thereafter be transferred except as provided in clause (E) below.

With respect to book-entry 2023 Bonds, the City and the Fiscal Agent have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book-entry 2023 Bonds. Without limiting the immediately preceding sentence, the City and the Fiscal Agent have no responsibility or obligation with respect to: (i) the accuracy of the records of the Securities Depository, the Nominee, or any Participant with respect to any ownership interest in book-entry 2023 Bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Bond Register, of any notice with respect to book-entry 2023 Bonds, including any notice of redemption; (iii) the selection by the Securities Depository and its Participants of the beneficial interests in book-entry 2023 Bonds to be redeemed in the event that the City redeems the 2023 Bonds in part; or (iv) the payment by the Securities Depository or any Participant or any other person of any amount of principal of, premium, if any, or interest on book-entry 2023 Bonds. The City and the Fiscal Agent may treat and consider the person in whose name each book-entry 2023 Bond is registered in the Bond Register as the absolute Owner of such book-entry 2023 Bond for the purpose of payment of principal of, premium and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Fiscal Agent will pay all principal of, premium, if any, and interest on the 2023 Bonds only to or upon the order of the respective Owner, as shown in the Bond Register, or such Owner's respective attorney duly authorized in writing, and all such payments will be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of, premium, if any, and interest on the 2023 Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond Register, will receive a 2023 Bond evidencing the obligation to make payments of principal of, premium, if any, and interest on the 2023 Bonds. Upon delivery by the Securities Depository to the City and the Fiscal Agent of written notice to the effect that the Securities Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions in the Twentieth Supplemental Resolution with respect to Record Dates, the word Nominee in the Twentieth Supplemental Resolution will refer to such nominee of the Securities Depository.

(B) Delivery of Representation Letter. In order to qualify the book-entry 2023 Bonds for the Securities Depository's book-entry system, the City will execute and deliver to the Securities Depository a Representation Letter. The execution and delivery of a Representation Letter does not in any way impose upon the City or the Fiscal Agent any obligation whatsoever with respect to persons having interests in such book-entry 2023 Bonds other than the Owners, as shown on the Bond Register. In addition to the execution and delivery of a Representation Letter, the City and the Fiscal Agent, if necessary, will take such other actions, not inconsistent with the Twentieth Supplemental Resolution, as are reasonably necessary to qualify book-entry 2023 Bonds for the Depository's book-entry program.

(C) Selection of Securities Depository. In the event that: (i) the Securities Depository determines not to continue to act as securities depository for book-entry 2023 Bonds; or (ii) the City determines that continuation of the book-entry system is not in the best interest of the beneficial owners of the 2023 Bonds or the City, then the City will discontinue the book-entry system with the Securities Depository. If the City determines to replace the Securities Depository with another qualified securities depository, the City will prepare or direct the preparation of a new single, separate, fully registered 2023 Bond for each of the maturity dates of such book-entry 2023 Bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in clause (E) below. If the City fails to identify another qualified securities depository to replace the Securities Depository, then the 2023 Bonds will no longer be restricted to being registered in such Bond Register in the name of the Nominee, but will be registered in whatever name or names the Owners transferring or exchanging such Bonds designate, in accordance with the provisions that are described under the caption "—Transfers Outside Book-Entry System" below.

(D) Payments To Securities Depository. Notwithstanding any other provision of the Twentieth Supplemental Resolution or the Master Resolution to the contrary, so long as all Outstanding 2023 Bonds are held in book-entry form and registered in the name of the Nominee, all payments of principal of, redemption premium, if any, and interest on such 2023 Bonds and all notices with respect to such 2023 Bonds will be made and given, respectively to the Nominee, as provided in the Representation Letter or as otherwise instructed by the Securities Depository and agreed to by the Fiscal Agent notwithstanding any inconsistent provisions in the Twentieth Supplemental Resolution.

(E) Transfer of 2023 Bonds to Substitute Depository.

(i) The 2023 Bonds will be initially issued as provided in the Twentieth Supplemental Resolution. Registered ownership of such 2023 Bonds, or any portions thereof, may not thereafter be transferred except: (a) to any successor of the Securities Depository or its Nominee, or of any substitute depository designated pursuant to clause (b) below (a "Substitute Depository"); provided that any successor of the Securities Depository or Substitute Depository is qualified under any applicable laws to provide the service proposed to be provided by it; (b) to any Substitute Depository, upon: (1) the resignation of the Securities Depository or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the City that the Securities Depository (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository is qualified under any applicable laws to provide the services proposed to be provided by it; or (c) to any person as provided below, upon: (1) the resignation of the Securities Depository or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the City that the Securities Depository or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(ii) In the case of any transfer pursuant to clauses (a) or (b) of subsection (i) above, upon receipt of all Outstanding 2023 Bonds by the Fiscal Agent, together with a written request of the City to the Fiscal Agent designating the Substitute Depository, a single new 2023 Bond, which the City will prepare or cause to be prepared, will be issued for each maturity of 2023 Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such written request of the City. In the case of any transfer pursuant to clause (c) of subsection (i) above, upon receipt of all Outstanding 2023 Bonds by the Fiscal Agent, together with a written request of the City to the Fiscal Agent, new 2023 Bonds, which the City will prepare or cause to be prepared, will be issued in such denominations and registered in the names of such persons as are requested in such written request of the City, subject to the limitations of the Twentieth Supplemental Resolution, provided that the Fiscal Agent will not be required to deliver such new 2023 Bonds within a period of less than sixty days from the date of receipt of such written request from the City.

(iii) In the case of a partial redemption or an advance refunding of any 2023 Bonds evidencing a portion of the principal maturing in a particular year, the Securities Depository or its successor (or any Substitute Depository or its successor) will make an appropriate notation on such 2023 Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Fiscal Agent, all in accordance with the Representation Letter. The Fiscal Agent will not be liable for such Securities Depository's failure to make such notations or errors in making such notations and the records of the Fiscal Agent as to the outstanding principal amount of such 2023 Bonds will be controlling.

(iv) The City and the Fiscal Agent are entitled to treat the person in whose name any 2023 Bond is registered as the Owner thereof for all purposes of the Twentieth Supplemental Resolution and any applicable laws, notwithstanding any notice to the contrary received by the City or the Fiscal Agent; and the City and the Fiscal Agent have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the 2023 Bonds. Neither the City nor the Fiscal Agent have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including the Securities Depository or its successor (or Substitute Depository or its successor), except to the Owner of any 2023 Bonds, and the Fiscal Agent may rely conclusively on its records as to the identity of the Owners of the 2023 Bonds.

Transfers Outside Book-Entry System. In the event that: (i) the Securities Depository determines not to continue to act as securities depository for the 2023 Bonds; or (ii) the City determines that the Securities Depository will no longer so act and delivers a written certificate to the Fiscal Agent to that effect, then the City will discontinue the book-entry system with the Securities Depository. Thereafter, any Bond may, in accordance with its terms, be transferred or exchanged in accordance with the Master Resolution.

Payments and Notices to the Nominee. Notwithstanding any other provision of the Twentieth Supplemental Resolution to the contrary, so long as any 2023 Bond is registered in the name of the Nominee, all payments with respect to principal of and interest on such 2023 Bond and all notices with respect to such 2023 Bond will be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Securities Depository.

Initial Depository and Nominee. The initial Securities Depository under the Twentieth Supplemental Resolution will be DTC. The initial Nominee will be Cede & Co., as Nominee of DTC.

SALE OF 2023 BONDS; APPLICATION; FUNDS; COVENANTS

Establishment and Application of 2023 Rebate Account.

(A) Establishment. Pursuant to the Twentieth Supplemental Resolution, to the extent that one or more Series of 2023 Bonds are issued on a tax-exempt basis, the Fiscal Agent will establish when required, maintain and hold in trust a separate account designated as the "Refunding Electric Revenue Bonds, Issue of 2023, Rebate Account" and to the extent that multiple Series of 2023 Bonds are issued on a tax-exempt basis, such subaccounts therein as directed by the City. Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the applicable Series of 2023 Bonds will not be adversely affected, the City will cause to be deposited in the 2023 Rebate Account such amounts as are required to be deposited therein pursuant to the Twentieth Supplemental Resolution and the Tax Certificate. All money at any time deposited in the 2023 Rebate Account will be held by the Fiscal Agent in trust for payment to the United States Treasury. All amounts on deposit in the 2023 Rebate Account for the 2023 Bonds will be governed by the Twentieth Supplemental Resolution and the Tax Certificate for the 2023 Bonds, unless and to the extent that the City delivers to the Fiscal Agent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest with respect to the 2023 Bonds will not be adversely affected, if such requirements are not satisfied. Notwithstanding anything to the contrary in the Twentieth Supplemental Resolution or in the Tax Certificate, the Fiscal Agent: (i) will be deemed conclusively to have complied with the provisions thereof if it follows all Requests of the City; (ii) has no liability or responsibility to enforce compliance by the City with the terms of the Tax Certificate; (iii) may rely conclusively on the City's calculations and determinations and certifications relating to rebate matters; and (iv) has no responsibility to independently make any calculations or determinations or to review the City's calculations or determinations thereunder.

(i) Computation. Within 55 days of the end of every fifth Bond Year (as such term is defined in the Tax Certificate), the City will calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and the construction expenditures exception of Section 148(f)(4)(C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the "1½% Penalty") has been made), for such purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the "Rebatable Arbitrage"). The City will obtain expert advice as to the amount of the Rebatable Arbitrage to comply with the foregoing requirement.

(ii) Transfer. Within 55 days of the end of every fifth Bond Year, upon the written Request of the City, an amount will be deposited to the 2023 Rebate Account by the Fiscal Agent from any Net Operating Revenues legally available for such purpose (as specified by the City in the aforesaid written Request), if and to the extent required so that the balance in the 2023 Rebate Account equals the amount of Rebatable Arbitrage so calculated in accordance with clause (i) above. In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the 2023 Rebate Account exceeds the amount required to be on deposit therein, upon written Request of the City, the Fiscal Agent will withdraw the excess from the 2023 Rebate Account and then credit the excess to the Bond Service Account.

(iii) Payment to the Treasury. The Fiscal Agent will pay, as directed by Request of the City, to the United States Treasury, out of amounts in the 2023 Rebate Account: (A) not later than 60 days after the end of: (X) the fifth Bond Year; and (Y) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and (B) not later than 60 days after the payment of all of the 2023 Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code and Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the 2023 Rebate Account, the amount in the 2023 Rebate Account is not sufficient to make such payment when such payment is due, the City will calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to the foregoing obligation will be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038-T (prepared by the City), or will be made in such other manner as provided under the Code.

(B) Disposition of Unexpended Funds. Any funds remaining in the 2023 Rebate Account after redemption and payment of the 2023 Bonds and the payments described in clause (A) above being made may be withdrawn by the City and utilized in any manner by the City.

(C) Survival of Defeasance. Notwithstanding anything in the Twentieth Supplemental Resolution to the contrary, the obligation to comply with the 2023 Rebate Account requirements of the Twentieth Supplemental Resolution will survive the defeasance or payment in full of the 2023 Bonds.

Tax Covenants related to the 2023 Bonds. Notwithstanding any other provision of the Twentieth Supplemental Resolution or the Master Resolution, to the extent that one or more Series of 2023 Bonds are issued on a tax-exempt basis, absent an opinion of Bond Counsel that the exclusion from gross income of the interest on the applicable Series of 2023 Bonds will not be adversely affected for federal income tax purposes, the City has covenanted to comply with all applicable requirements of the Code that are necessary to preserve such exclusion from gross income with respect to such Series of 2023 Bonds and has specifically covenanted, without limiting the generality of the foregoing, as follows:

(A) Private Activity. The City will take no action or refrain from taking any action, and the City will make no use of the proceeds of such Series of 2023 Bonds or of any other moneys or property, which would cause such Series of 2023 Bonds to be "private activity bonds" within the meaning of Section 141 of the Code;

(B) Arbitrage. The City will make no use of the proceeds of such Series of 2023 Bonds or of any other amounts or property, regardless of the source, and the City will not take any action or refrain from taking any action, which will cause such Series of 2023 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code;

(C) Federal Guarantee. The City will make no use of the proceeds of such Series of 2023 Bonds, and the City will not take or omit to take any action, that would cause such Series of 2023 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code;

(D) Information Reporting. The City will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code which is necessary to preserve the exclusion of interest on such Series of 2023 Bonds pursuant to Section 103(a) of the Code;

(E) Hedge Bonds. The City will make no use of the proceeds of such Series of 2023 Bonds or any other amounts or property, regardless of the source, and the City will not take any action or refrain from taking any action, that would cause such Series of 2023 Bonds to be considered "hedge bonds" within the meaning of Section

149(g) of the Code unless the City takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on such Series of 2023 Bonds for federal income tax purposes; and

(F) Miscellaneous. The City will not take any action or refrain from taking any action which is inconsistent with its expectations stated in the Tax Certificate executed by the City in connection with the issuance of such Series of 2023 Bonds and will comply with the covenants and requirements that are stated therein and incorporated by reference in the Twentieth Supplemental Resolution.

(G) No Effect on Taxable Bonds. The foregoing tax covenants are not applicable to, and nothing that is contained in the Twentieth Supplemental Resolution will be deemed to prevent the City from issuing 2023 Bonds of a Series or revenue bonds or executing and delivering contracts that are payable on a parity with the 2023 Bonds, the interest with respect to which has been determined to be subject to federal income taxation.

(H) Elections. The City has directed and authorized the Chief Financial Officer/Treasurer (or any duly authorized designee thereof) to make elections permitted or required pursuant to the provisions of the Code or the Treasury Regulations, as the Chief Financial Officer/Treasurer or such designee (after consultation with Bond Counsel) deems necessary or appropriate in connection with the 2023 Bonds, in the Tax Certificate relating to the tax-exempt Series of 2023 Bonds, or similar or other appropriate certificate, form or document.

(I) Tax Certificate. The City has covenanted that in connection with the delivery of the tax-exempt Series of 2023 Bonds it will execute and deliver the Tax Certificate, in such form and substance as is provided and accepted by Bond Counsel. All representations, warranties and covenants made by the City in the Tax Certificate, as the same may be amended or supplemented in accordance with its terms, are incorporated into and made a part of the Twentieth Supplemental Resolution as though the same had been fully set forth therein.

Notwithstanding any other provisions of the Master Resolution (including the Twentieth Supplemental Resolution) to the contrary, upon the City's failure to observe, or refusal to comply with, any of the foregoing covenants, no Person other than the Owners of the tax-exempt Series of 2023 Bonds will be entitled to exercise any right or remedy provided to the Owners under the Master Resolution (including the Twentieth Supplemental Resolution) on the basis of the City's failure to observe, or refusal to comply with, such covenant.

FISCAL AGENT

Fiscal Agent. The Chief Financial Officer/Treasurer (or the Chief Financial Officer/Treasurer's designee) has been authorized, empowered and directed to appoint a Fiscal Agent with respect to the 2023 Bonds. The Fiscal Agent will signify its acceptance of the duties and obligations under the Twentieth Supplemental Resolution by executing and delivering to the City a written acceptance in which the Fiscal Agent agrees to perform said duties and obligations as set forth in the Master Resolution and the Twentieth Supplemental Resolution.

The City has agreed, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents harmless against any liabilities it may incur in the exercise and performance of its powers and duties under the Master Resolution and the Twentieth Supplemental Resolution which are not due to its negligence or willful misconduct.

The City has acknowledged that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City has specifically waived receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the City with periodic transaction statements which include detail for all investment transactions made by the Fiscal Agent under the Twentieth Supplemental Resolution; provided that the Fiscal Agent is not obligated to provide an accounting for any fund or account that: (a) has a balance of $0.00; and (b) has not had any activity since the last reporting date. The foregoing obligations of the City will survive resignation or removal of the Fiscal Agent under the Twentieth Supplemental Resolution and payment of the 2023 Bonds and discharge of the Twentieth Supplemental Resolution.

Retention and Dissemination of Available Information. The Fiscal Agent for the 2023 Bonds will retain in its possession all reports, certificates and other documents received by it with respect to the 2023 Bonds, all of which will be subject at all reasonable times during regular business hours with reasonable prior notice to inspection by the City, the Securities Depository with respect to the 2023 Bonds and any other Person that the City reasonably determines to be a beneficial owner of 2023 Bonds held by such Securities Depository, and the agents and representatives of any thereof. Upon receipt by the Fiscal Agent of a written request of any Person described in the immediately preceding sentence, the Fiscal Agent will provide to such Person a copy of any such report, certificate or other document, provided that such Person bears the direct cost of reproduction and delivery thereof. The Fiscal Agent will, at the cost of and at the written instruction of the City, disseminate all material written information received by the Fiscal Agent pursuant to the Master Resolution (including the Twentieth Supplemental Resolution), to one or more officially recognized central information facilities or repositories with respect to information regarding obligations similar to the 2023 Bonds specified to the Fiscal Agent by the City.

APPROVAL OF DESIGNATED INVESTMENTS

The Chief Financial Officer/Treasurer (or any duly authorized designee thereof) has been authorized, empowered and directed on behalf of the City to enter into one or more investment agreements meeting the qualifications for "Designated Investments" as defined in the Twentieth Supplemental Resolution providing for the investment of moneys in any of the funds and accounts created under the Twentieth Supplemental Resolution, on such terms as such officer deems appropriate. Pursuant to Section 5922 of the California Government Code, the City Council has found and determined that such Designated Investments are designed to reduce the amount and duration of interest rate risk with respect to amounts invested pursuant to the Designated Investments and to reduce the amount or duration of payment, rate, spread or similar risk or result in a lower cost of borrowing when used in combination with the 2023 Bonds or enhance the relationship between risk and return with respect to investments.

MISCELLANEOUS

2023 Bonds Subject to the Master Resolution. Except as expressly provided in the Twentieth Supplemental Resolution, every term and condition contained in the Master Resolution will apply to the Twentieth Supplemental Resolution and to the 2023 Bonds with the same force and effect as if it were therein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to the Twentieth Supplemental Resolution.

Severability of Invalid Provisions. If any one or more of the provisions contained in the Twentieth Supplemental Resolution or in the 2023 Bonds are for any reason held to be invalid, illegal or unenforceable in any respect, then such provision or provisions will be deemed severable from the remaining provisions contained in the Twentieth Supplemental Resolution and such invalidity, illegality or unenforceability will not affect any other provision of the Twentieth Supplemental Resolution, and the Twentieth Supplemental Resolution will be construed as if such invalid, illegal or unenforceable provision had never been contained therein. The City Council has declared that it would have adopted the Twentieth Supplemental Resolution and each and every other Section, paragraph, sentence, clause or phrase thereof and authorized the issuance of the 2023 Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of the Twentieth Supplemental Resolution may be held illegal, invalid or unenforceable.

Governing Law. The Twentieth Supplemental Resolution will be construed and governed in accordance with the laws of the State of California.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon issuance of the 2023A Bonds, the City will enter into a Continuing Disclosure Certificate in substantially the following form:

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the City of Riverside (the “Issuer”) in connection with the Issuer’s issuance of its Refunding Electric Revenue Bonds, Issue of 2023A (collectively, the “Bonds”). The Bonds are being issued pursuant to Resolution No. 17662 of the Issuer adopted by the City Council of the Issuer on January 8, 1991, as amended and supplemented, including as amended and supplemented by Resolution No. 24036, adopted by the City Council of the Issuer on September 19, 2023 (collectively, the “Resolution”). The Issuer covenants and agrees as follows:

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

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

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

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

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

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

“Financial Obligation” shall mean: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term “Financial Obligation” does not include municipal securities (as such term is defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as such term is defined in the Rule) has been provided to the MSRB consistent with the Rule.

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

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

“Official Statement” shall mean the Official Statement relating to the Bonds dated November 14, 2023.

‘‘Participating Underwriter” shall mean J.P. Morgan Securities LLC, Barclays Capital Inc., Samuel A. Ramirez & Co., Inc. and Siebert Williams Shank & Co., LLC, as the original underwriters of the Bonds.

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

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent upon written direction to, not later than each March 31 following the end of the Issuer's fiscal year (which presently ends on June 30), commencing with the report for the fiscal year ended June 30, 2023, provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report shall be provided to the MSRB in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

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

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

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

(d) The Dissemination Agent shall:

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

(ii) promptly after receipt of the Annual Report, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided the MSRB. The Dissemination Agent's duties under this clause (ii) shall exist only if the Issuer provides the Annual Report to the Dissemination Agent for filing.

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

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

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

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

(1) Principal amount of the Bonds outstanding as of the end of the immediately preceding fiscal year.

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

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

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

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

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

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

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

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

SECTION 5. Reporting of Significant Events.

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

(1) principal and interest payment delinquencies;

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

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

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

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

(6) tender offers;

(7) defeasances;

(8) ratings changes; and

(9) default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties; and

(10) bankruptcy, insolvency, receivership or similar proceedings.

Note: for the purposes of the event identified in subparagraph (10), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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

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

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

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

(4) nonpayment related defaults;

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

(6) Bond calls;

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

(8) incurrence of a Financial Obligation of the Issuer or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders.

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

(d) If the Issuer determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Issuer shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) business days after the event.

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

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

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

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

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

SECTION 8. Amendment.

(a) This Disclosure Certificate may be amended, in writing, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby; (2) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) there shall have been delivered to the Issuer an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the same effect as set forth in clause (2) above; (4) the Issuer shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the Owners; and (5) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

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

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

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

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

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

SECTION 10. Default. In the event that the Issuer fails to comply with any provision in this Disclosure Certificate, the Dissemination Agent may (or shall upon direction of the Owners of 25% in aggregate principal of the Bonds then outstanding or the Participating Underwriter) take all action necessary to cause the Issuer to comply with this Disclosure Certificate. In the event of a failure of the Dissemination

Agent to comply with any provision of this Disclosure Certificate, any Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

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

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

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

Disclosure Representative:

City of Riverside
3900 Main Street
Riverside, California 92501

December 6, 2023

CITY OF RIVERSIDE

By: ______________________________
Assistant City Manager/Chief Financial Officer/
Treasurer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	City of Riverside
Name of Issue:	Refunding Electric Revenue Bonds, Issue of 2023A
Date of Issuance:	December 6, 2023

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated December 6, 2023. The City anticipates that the Annual Report will be filed by ________________.

Dated:_______________________

APPENDIX E

FORM OF BOND COUNSEL OPINION

Upon issuance of the 2023A Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

December 6, 2023

City of Riverside
Riverside, California

Re: City of Riverside Refunding Electric Revenue Bonds, Issue of 2023A

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Riverside (the "City") in connection with the issuance of the above-captioned bonds (the "Bonds") and have examined a certified copy of the record of the proceedings of the City of Riverside (the "City") relative to the remarketing of the Bonds. The Bonds are being issued pursuant to the Charter of the City (the "Charter"), Ordinance No. 5001 adopted by the City Council on April 20, 1982, as amended (the "Ordinance"), and Resolution No. 17662 adopted by the City Council on January 8, 1991 (the "Master Resolution"), as previously amended and supplemented, including as amended and supplemented by Resolution No. 24036, the twentieth supplemental resolution, which provides for the issuance of the 2023A Bonds (the "Twentieth Supplemental Resolution" and, together with the Master Resolution, the "Resolution"), which was adopted by the City Council on September 19, 2023.

Capitalized terms which are used herein and not defined have the meanings which are given to such terms in the Resolution.

In rendering our opinions, we have examined the Charter, the Ordinance, the Resolution, certain certificates dated the date hereof and such other information and documents as we have deemed necessary to render the opinions that are set forth herein. As to questions of fact that are material to the opinions which are stated herein, we have relied upon the accuracy of the representations, statements of intention and statements of reasonable expectations made by the City which are contained in certain certificates that are dated the date hereof, the Tax Certificate related to the Bonds (the "Tax Certificate"), the certified proceedings of the City and certifications of public officials of the City and others which have been furnished to us, and compliance by the City with the procedures and covenants that are set forth in such documents as to such tax matters, without undertaking to verify through independent investigation the accuracy of the representations and certifications that we have relied upon. We have also assumed due authorization and valid execution and delivery of certificates signed by the City in connection with the issuance of the Bonds on the date hereof.

Based on our examination as Bond Counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, but subject to the limitations of the Resolution, we are of the opinion, as of the date hereof and under existing law, that:

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

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

3. The Resolution creates a valid pledge of and lien and charge upon the Net Operating Revenues and certain amounts held under the Resolution to secure the payment of the principal of and interest on the Bonds. The general fund of the City is not liable for the payment of the Bonds, any premium thereon

upon redemption prior to maturity or their interest, nor is the credit or taxing power of the City pledged for the payment of the Bonds, any premium thereon upon redemption prior to maturity or their interest.

4. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in the Resolution, interest on the 2023A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the 2023A Bonds might be taken into account in determining adjusted financial statement income for the purposes of computing the alternative minimum tax imposed on such corporations.

5. The amount by which a 2023A Bond Owner's original basis for determining loss on sale or exchange in the applicable 2023A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the 2023A Bond Owner's basis in the applicable 2023A Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a 2023A Bond Owner realizing a taxable gain when a 2023A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2023A Bond to the Owner. Purchasers of the 2023A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

6. Interest on the Bonds is exempt from State of California personal income tax.

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

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

The opinions that are expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters that are not directly addressed by such authorities. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

We call attention to the fact that the rights and obligations under the Resolution and the Bonds are subject to bankruptcy, insolvency, debt adjustment, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State.

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

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

This opinion letter may be relied upon only by you and may not be relied upon by any other party without our prior written consent.

Respectfully submitted,

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

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

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

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

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

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the

Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The information contained on this Internet site is not incorporated herein by reference.

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

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

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

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

[THIS PAGE INTENTIONALLY LEFT BLANK]

CITY OF RIVERSIDE, CALIFORNIA • REFUNDING ELECTRIC REVENUE BONDS, ISSUE OF 2023A

CITY OF
RIVERSIDE

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: ImageMaster, LLC
www.imagemaster.com