



Enterprise Revenue Rating Report Date:	12/15/2010	Rating Type:	New Issue Rating
Issuer		State	CUSIP
CITY OF RIVERSIDE, CALIFORNIA		CA	768874
New Issue Description	\$ 140,000,000 Approximately	NI Purpose	Par Call
Electric Revenue Bonds, \$133,290,000 Issue of 2010A BABs Callable @par anytime with make whole provision and \$7,090,000 Issue of 2010B Exempt Non-Callable Bank Qualified		New Money	See NI Descrip.
		Dated Date	Sale on or about
		Delivery Date	12/9/2010

Sample
Not for Publication or Distribution

Rating & Forecast

A

● **Caution** The BBR rating is lower by one full rating grade
Risk appears greater than available returns.

Rating Opinion

The strong operating margins are due to moderate debt and favorable rates for purchased power under long term take or pay contracts with another governmental enterprise, the Intermountain Power Agency. IPA is owned in part by several California municipal utilities. The IPA's coal fired plants account for 50% of Riverside's energy sales and were built in Utah located next to large coal mines. The contracts expire in 2027. California utilities face tough new State laws requiring minimum percentages of generation from non-fossil fuels beginning in 2013-14. Electric energy will be delivered in sufficient amount throughout the State but probably at a higher cost. It is important for the 900 or so Industrial employers to remain healthy because they account for 30% of the City's electric revenue. FY 09-10 operating results demonstrate viability of the enterprise in the face of unprecedented unemployment. Energy sales were flat in FY 2010. This appears to be a well run enterprise that is used to dealing with challenges.

# of Direct Payors	One	City of Riverside, CA
Contingent Payor(s)	None	
Security structure is:	Routinely Used	

Line(s) of Business:

Electric Retail	
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FY End (000):	6/30/2010	Key Facts About the Enterprise			
Gross Revenue	\$ 314,109	Est. Proforma Avg Ann	Est. Proforma Max		
Net Revenue	\$ 114,509	DS	Ann DS	MADS Year	
Debt Service Direct Debt	\$ 66,250	58,739	76,300	2016	See Note # 1
Coverage by Net Revenues	1.73	1.95	1.50		
AADS % of Gross Revenue	19%	MADS % of Gross Revenue		26%	
Unrestricted Cash & Invest.	\$ 178,000				
Capacity Utilization: High		Competition: None		Price Sensitivity: Low	
Residential/Kwh. Rate as % of Na. Avg.	126%	PC Income as % of National Avg.		78%	

Proforma Debt (000) as of:	12/31/2010			Authorized	
Total	\$ 943,000	Lien Position	Status	Unissued	Capped
Senior - See Note 1	302,000	Oper. Exp.	Open	-	-
Outstanding Parity	501,000	1st on Net	Open	-	-
This Issue	140,000				
Subordinate	-			-	-
Short Term Notes	-			-	-
Debt Guarantees	-			-	-

Contingent Debt	Notional Amt.	Lien Position	% Total Debt	Counterparties	
Int. Rate Swap Payments	198,000	2nd on Net	21%	Merrill Lynch	JP Morgan Chase
Bond Purchase Agree.	198,000	1st on Net	21%	B of A	

Issue DSR Fund:	None	Required Amt.:	Funding:
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Economic/Demographic

2009	Population	9 Year Trend	PC Per. Income	9 Year Trend	Pop./Sq. Mi. Land
City	304,000	19.0%			3,887
County of Issuer	2,125,000	37.5%	\$ 30,894	26.0%	294
CALIFORNIA	36,961,000	9.1%	\$ 42,500	25.0%	237
United States	307,006,500	9.1%	\$ 39,626	30.7%	87

Unemployment Rates	10/31/05	10/31/07	10/30/09	10/30/10
SMSA Unemployment	5.2%	5.2%	14.2%	14.2%

CALIFORNIA	6.2%	5.3%	11.8%	12.4%
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City	Economic Activity
Government	County Seat
Services & Retail	Diversified
Manufacturing	Partially Concentrated
Construction	Concentrated

Enterprise

# Residential Accounts - Trend		# Commercial Accounts - Trend		# Industrial Accounts - Trend	
95,200	Stable	10,178	Stable	904	Stable

Rates / Charges as of FY:	2010	Rate Change(s) Last 12 Months	
Commercial/Kwh	\$ 0.15	6.7%	In Effect
Industrial/Kwh	0.10	4.9%	In Effect
Residential/Kwh.	0.15	6.3%	In Effect
Wholesale/Kwh	0.18	4.1%	In Effect

Gross Pledged Revenue	6/30/2008	6/30/2009	6/30/2010	% Total Last Yr.
Electric Residential	\$ 99,981	\$ 105,525	\$ 107,301	34.2%
Electric Commercial	60,678	65,532	65,091	20.8%
Electric Industrial	92,697	97,100	97,458	30.8%
Electric Wholesale	14,805	4,974	1,466	1.6%
Transmission	19,211	18,673	21,100	5.9%
Other Operating & Non-operating	6,133	5,684	5,684	1.8%
Interest	16,380	17,625	16,009	5.6%
Transfers In				
Total Revenue	309,885	315,113	314,109	
	% Change	1.7%	-0.3%	

Operating & Maintenance Expenses					% Total Last Yr.
Production	Nuclear & Gas	\$ 13,999	\$ 15,944	\$ 17,496	8.8%
Purchased Power	Coal & Green	133,016	120,255	106,878	53.5%
Transmission		31,288	32,677	33,030	16.5%
Distribution		11,943	12,660	12,930	6.5%
Administration & Misc..		10,375	8,522	8,900	4.5%
Cust. Accts & Services		19,059	17,275	20,366	10.2%
Total Expense		219,680	207,333	199,600	
Account (Delinquencies)/ Recoveries		(1,750)	(1,543)	1,500	
Deduct DS paid as an operating expense		(30,000)	(30,000)	(30,000)	
Adjusted Total Expense		187,930	175,790	171,100	
	% Change		-5.6%	-3.7%	3 Yr. % Change
Net Pledged Revenue		121,955	107,780	114,509	-6%
Adjusted Debt Service See Note # 2		66,250	66,250	66,250	0%
Parity Debt Service Coverage		1.84	1.63	1.73	-6%
Transfers Out (See note # 3)		27,371	29,583	33,656	23%
Unrestricted Cash & Investments		142,000	152,000	178,000	25%
Payroll, Benefits & Retirement Funding		< = 25%	< = 25%	< = 25%	
Estimated % of Gross Revenue					

Bond Covenants/Regulation/Financing Plans

Parity Rate Covenant	1.10x by net pledged revenue each year.
Parity Additional Bonds	Sufficiency of net revenue based on estimates of future net revenue by consulting engineers. Rate adjustments need not be approved or in effect.
Rate Regulation	Action by the State can influence the price of electricity.
NM Financing Plans	\$140 million next five years.

Notes

Note # 1	Includes share of bonded debt secured by ownership interest in government owned energy plants under long term take or pay power supply contracts.
Note # 2	Debt service paid from O&M is subtracted from O&M and added to "Parity" debt service to correctly calculate DS coverage protection on the rated risk.
Note # 3	City law requires electric system to transfer 11.5% of gross pledged electric revenue to City's general fund each year. Payment is subordinate to all debt service.

Additional Information

Electric rates are about 25% higher outside the City limit where So. Cal. Edison is the provider.

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