

# MORENO VALLEY UTILITY



## 2015/16 ANNUAL REPORT



# MISSION STATEMENT

To provide safe, reliable, and economical public electric service with a focus on customer needs, infrastructure enhancement, growth, and responsible resource management.



# MANAGEMENT STATEMENT



Thank you for reviewing the Moreno Valley Utility Annual Report for 2015/2016. Moreno Valley Utility (MVU) is a fairly young utility; in 2015, we celebrated our 11th year of service to over 5,900 customers. MVU was established with the purpose of enhancing economic development in the City. As a "greenfield" utility, MVU provides electric service to new housing and business development, primarily located in undeveloped areas of the City. A map of our service area is included on page 6 of this report.

The rapid growth of the utility over the last few years has placed MVU in a position to successfully contribute to the economic development goals of the City, helping to attract world-class customers such as Amazon, Procter & Gamble, Deckers Outdoor, Aldi US, and Karma Automotive. In addition to offering economic development rate incentives, MVU also offers a generous solar rebate program, energy efficiency programs for both residential and business customers, and an award winning Hire MoVal incentive program that encourages businesses to hire locally. We are proud to be a part of the Development Services team that is successfully bringing jobs to the community.

Ensuring reliable service in the midst of double digit growth remains a top priority for MVU. The ability to continue to attract Fortune 500 companies and large e-commerce businesses depends on reliable service and quick responses in the event of emergencies. For fiscal year 2015/2016, the City Council approved a number of capital improvement projects that will further enhance reliability and accommodate growth in the South Industrial Planning area. The most significant capital project underway is the Kitching Substation, which will accommodate growth in the south industrial area of the City, home to our largest customers.

The City Council formed a Utilities Commission, whose purpose is to provide additional review for all matters pertaining to MVU. Commissioners are citizen volunteers, appointed by the City Council for three-year terms. Serving as an advisory body to the City Council, the five-member Utilities Commission held its inaugural meeting on July 1, 2014.

Looking to the future, we will be focused on developing a strategic plan that will provide a roadmap for MVU that will carry the utility forward for the next several years. The purpose of the strategic plan will be to address many of the opportunities facing MVU that require direction and input from the City Council and Utilities Commission. These opportunities include the following:

- Consideration of an organizational restructuring given the growth of the utility and the 2020 expiration of MVU's service agreement with the current maintenance and operations provider
- Meeting a 50% Renewable Portfolio Standard by 2030
- Meeting State-mandated Energy Efficiency targets
- Ensuring the financial health of the utility by building financial reserves
- Continued investment in infrastructure to accommodate growth, and maintain a system that is safe, reliable, flexible, and adaptable to changing technologies
- Meeting the challenges adequately with minimal rate impacts

The goal of the strategic planning process is to build a strong, healthy utility that will be able to continue to support the City's economic development objectives for years to come.

On behalf of the City Council, Utilities Commission, and staff, we appreciate the opportunity to serve the community of Moreno Valley.

*Michelle Dawson*  
City Manager

*Marshall Eyerman*  
Chief Financial Officer/City Treasurer



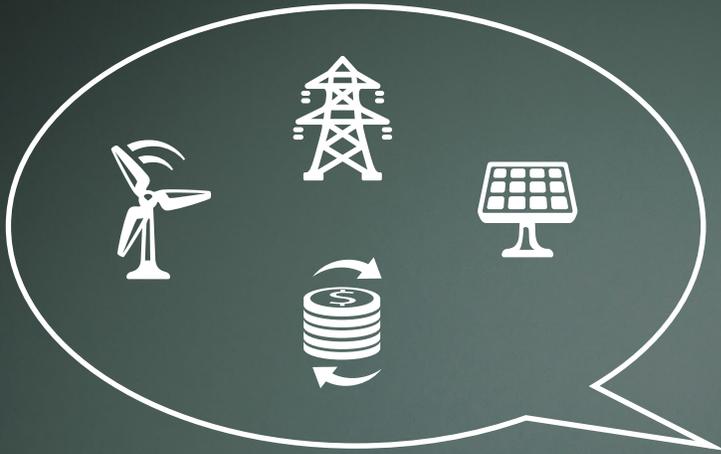
# WHAT IS PUBLIC POWER?

PUBLIC POWER systems are community-owned and community-operated utilities that provide electricity to their cities, towns, counties, public utility districts, and states. There are over 2,000 public power systems in the United States that serve approximately 48 million people. Public power has been a tradition across the nation for over 130 years.

PUBLIC POWER utilities are public service entities and do not serve shareholders. Their mission is to serve their community. Success is measured by how much money stays within the community, not by how much in dividends stockholders receive.

Some of the largest cities in the country – Los Angeles, Seattle, San Antonio, Orlando - operate a publicly-owned utility. Conversely, many PUBLIC POWER communities serve less than 3,000 customers. Moreno Valley Utility proudly serves nearly 6,000 customers.

Customers of PUBLIC POWER have a direct and powerful voice in utility decisions and policies through their locally elected and appointed officials and direct communication with staff.





# WHY PUBLIC POWER?



## **PUBLIC POWER PERSONIFIES THE AMERICAN IDEAL:**

- LOCAL PEOPLE WORKING TOGETHER TO MEET LOCAL NEEDS
- PROVIDING ELECTRICITY TO EVERY HOME AND BUSINESS ON A NOT-FOR-PROFIT BASIS
- SAFETY, RELIABILITY AND COMMUNITY NEEDS ARE THE TOP PRIORITIES
- SERVICES AND RATES ARE APPROVED BY LOCAL OFFICIALS WHO ARE DIRECTLY ACCOUNTABLE TO THE COMMUNITY

Programs are customized around the specific needs and requests of the community

- **HANDS ON CUSTOMER CARE**

Staffed by people from the area dedicated to customer care  
Repair crews are local and familiar with the area  
Dedicated to identifying and resolving issues quickly

- **UTILITY SUPPORTS LOCAL ECONOMY**

Through economic development incentives  
Commitment to award winning reliability

- **PUBLIC POWER MEANS**

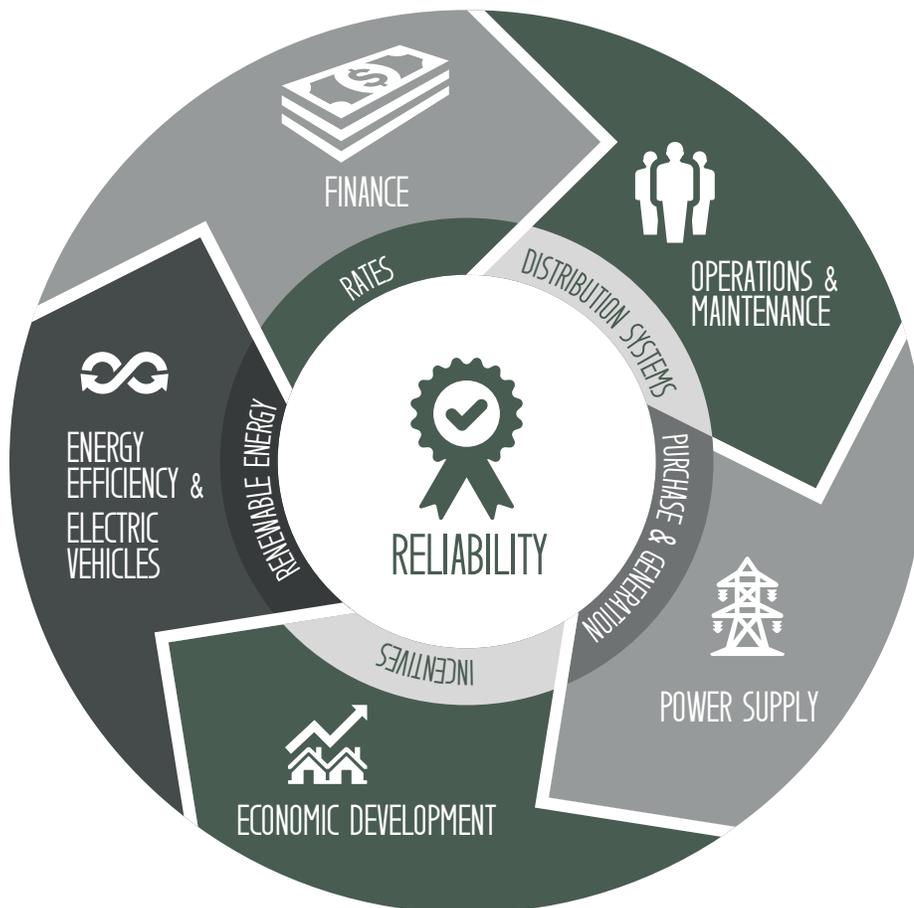
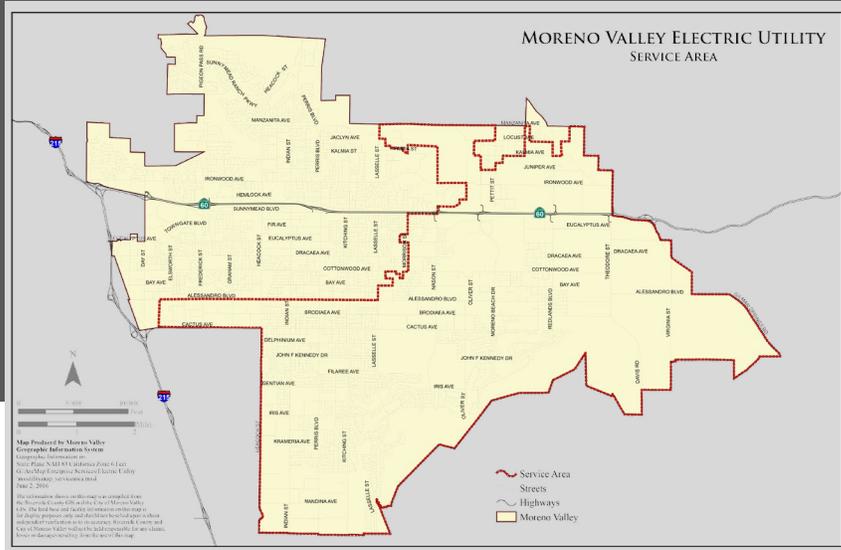
Community control  
Community value  
Community spirit

# MVU WAS ESTABLISHED IN 2001 WITH THESE GOALS IN MIND:

(VIA COUNCIL ADOPTED RESOLUTION 2001-33)



- TO REPLICATE THE SUCCESS OF MUNICIPALLY OWNED UTILITIES DURING THE ENERGY CRISIS OF 2000 - 2001
- TO SERVE ALL NEW DEVELOPMENT IN THE CITY
- TO PROVIDE LOCAL OWNERSHIP/CONTROL OVER ELECTRIC SERVICE
- TO BE USED AS AN ECONOMIC DEVELOPMENT TOOL



# RELIABILITY



Keeping the lights on under normal and extreme conditions is the highest priority for Moreno Valley Utility. Electricity service interruptions can be costly for both utilities and communities. To minimize interruptions as much as possible, reliability data is tracked and evaluated on a regular basis to help identify potential areas of improvement that will continue to allow MVU to deliver power efficiently.

Moreno Valley Utility is proud of its reliability record. MVU was recognized for its achievement by receiving a Certificate of Excellence in Reliability in 2015 from the American Public Power Association.

**Moreno Valley Utility's customers experienced an average outage of less than 2 minutes in 2015, far shorter than the 53 minute averages posted by the top performing 25% of utilities across the nation.**

Capital Improvement Projects such as the construction of the Kitching Substation (anticipated completion date May 2017) and installation of cross-town circuits that tie MVU's electric system together will help to maintain the excellent reliability record of Moreno Valley Utility. The City's Capital Projects Budget document can be found on the City's website at [www.moval.org](http://www.moval.org).

## CAPITAL PROJECTS

- KITCHING SUBSTATION AND SCE SWITCHYARD / FACILITY UPGRADES

- KITCHING SUBSTATION CIRCUITS

Backbone to Krameria Avenue and Indian Street via Perris Boulevard, Suburban Lane and Indian Street

Substation North on Kitching Street and East Lasselle Sports Park

Nason 12KV Tie via Edwin Road, Perris Boulevard and Iris Avenue

Rivard Road and Perris Boulevard via Edwin Road and Perris Boulevard

Second Circuit via Edwin Road to Perris Boulevard

South on Kitching Street, West on Globe Street to Industrial Building

South on Kitching Street, West on Modular Way to Perris Boulevard

Install New Cable from Krameria Avenue to Indian Street to Iris Interconnect

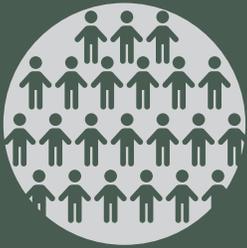
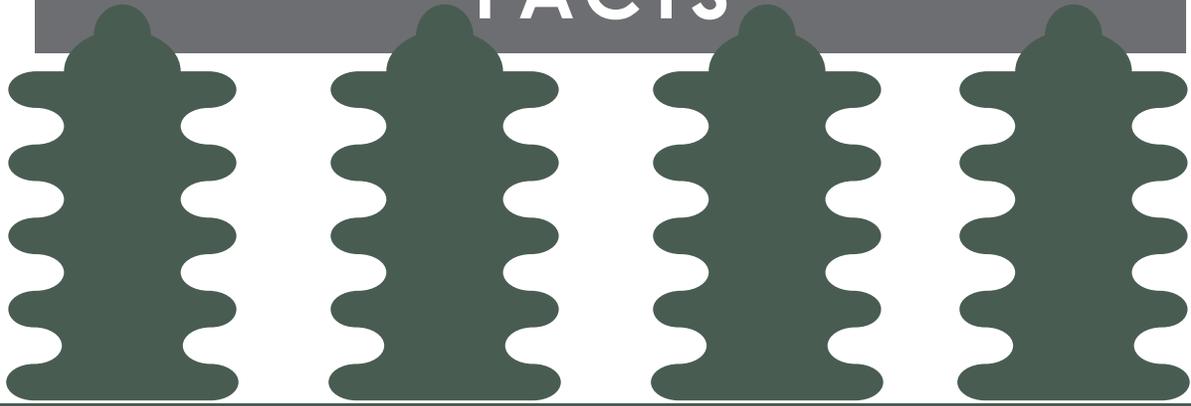
- CENTERPOINTE TO MORENO VALLEY SUBSTATION PROJECT

- CENTERPOINTE TO KITCHING SUBSTATION PROJECT

- CITY HALL SOLAR CARPORTS AND ELECTRIC VEHICLE CHARGING INFRASTRUCTURE

# MVU

## FACTS



MVU BEGAN SERVING CUSTOMERS IN  
FEBRUARY 2004, AND CURRENTLY SERVES

**5,365** RESIDENTIAL

**704** COMMERCIAL  
**CUSTOMERS**

### RETAIL SALES

IN FISCAL YEAR 2015/2016:

185,922,296 kWh

**\$29,237,200**



### SYSTEM PEAK

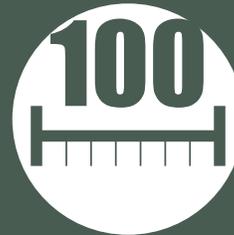


FISCAL YEAR 2013/2014: **31.9 MEGAWATTS**

FISCAL YEAR 2014/2015: **39.4 MEGAWATTS**

FISCAL YEAR 2015/2016: **46.4 MEGAWATTS**

OVER



### MILES

OF PRIMARY UNDERGROUND  
DISTRIBUTION LINES



### PROGRAMS AVAILABLE TO CUSTOMERS:

Level-pay (budgeting) Program

Energy Bill Assistance Program for Low-Income Families

Solar Rebate Program

Appliance Rebate Program

Free Energy Audit, Air Conditioner tune-ups and filter change,  
and Duct Testing/Sealing

Smart Thermostat Program

Lighting, Weatherization, and Air Conditioning Incentives

Economic Development Rate discounts for new businesses

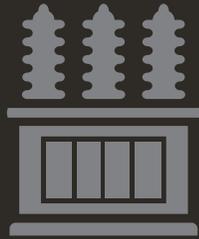
Hire MoVal Program

**1 MW=1000 kW**  
which will serve roughly  
750 homes on average

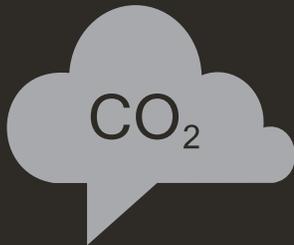
# ENERGY EFFICIENCY

B Y T H E N U M B E R S

## FY 2015/16 CUSTOMER PROGRAMS



Approximately  
**1.5 million kWh saved**

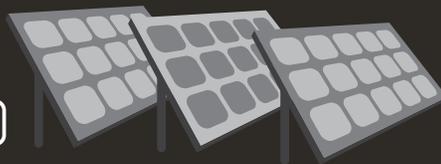


>6300 TONS OF  
GREEN HOUSE GAS  
**reductions**



>\$1 Million in customer  
**I N C E N T I V E S**

>**200** SOLAR  
APPLICATIONS PROCESSED



>**3.6 MW**  
solar installed



>\$130k in  
ENERGY EFFICIENCY  
**programs**



>**870,000 kWh ENERGY**  
**saved**  
FROM COMMERCIAL LIGHTING PROJECTS



# CERTIFICATE OF EXCELLENCE IN RELIABILITY

*This is to acknowledge that*

## City of Moreno Valley

*has achieved excellence in reliability by significantly outperforming the electric industry national average as reported by the Energy Information Administration.*



March 3, 2016  
Date

*Michael J. Hyland*  
Michael J. Hyland  
Senior Vice President,  
Engineering Services



**LESIA GAGE**  
SENIOR ACCOUNTANT

**JEANNETTE OLKO**  
ELECTRIC UTILITY DIVISION MANAGER

**CLEMENT JIMENEZ**  
SENIOR ENGINEER, P.E.

**MICHAEL MCLELLAN**  
ELECTRIC UTILITY PROGRAM COORDINATOR

**TANYA DUNLAP**  
SENIOR ADMINISTRATIVE ASSISTANT

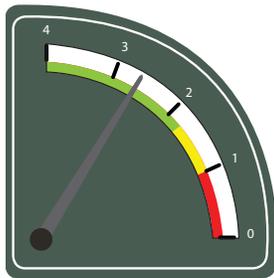
**PRISCILLA RASSO**  
FINANCIAL ANALYST

**MOSALLAM ALMASRI**  
CONSTRUCTION INSPECTOR



# MVU | DASHBOARD

## DEBT SERVICE COVERAGE RATIO



This key performance indicator is an annual measure used to monitor the overall financial performance of utilities. It measures the cash flow available to meet annual principal and interest payments on debt. MVU bond covenants call for the utility to generate enough cash flow to cover 1.25 times the annual debt payment.

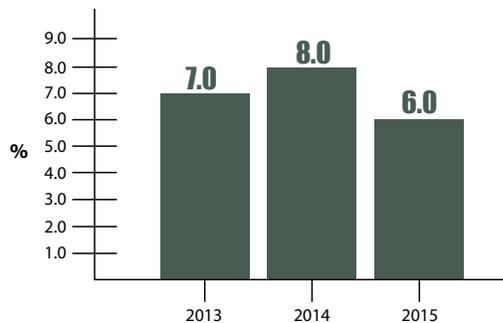
TARGET = 1.25 (per bond covenants)  
 FISCAL YEAR 2015/2016 VALUE = 3.45

## DAYS OPERATING CASH ON HAND

TARGET = 90 (Minimum Operating Reserve)  
 FISCAL YEAR 2015/2016 VALUE = 173

## ENERGY LOSSES

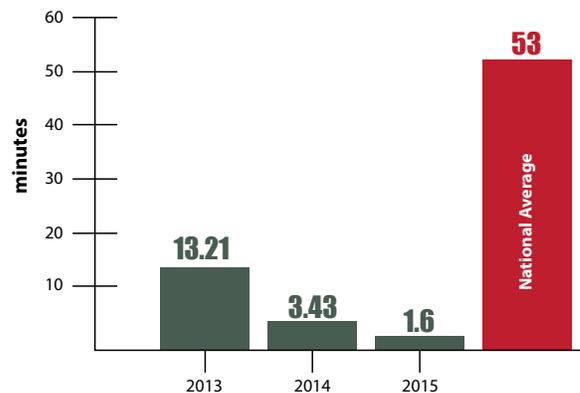
Energy loss is the amount of energy lost during generation, transmission, and distribution of energy to customers.



\* US NATIONAL AVERAGE = 6.0%

## RELIABILITY

System Average Interruption Duration Index measures the average length of outages in minutes.



## FINANCIAL SECTION



MVU values the importance of planning for the future to ensure that the utility will provide programs and services that will benefit our customers and the community for years to come. Part of the planning process encompasses extensive financial planning to establish and maintain a financially healthy and viable utility.

### Statement of Net Position Proprietary Funds June 30, 2016

#### ASSETS

##### CURRENT ASSETS :

	ELECTRIC ENTERPRISE FUND
Pooled cash and investments	\$14,779,946
Receivables:	
Accounts	3,642,083
Prepaid costs	-
Inventories	326,795

##### RESTRICTED:

Cash with fiscal agent	9,798,668
<b>Total Current Assets</b>	<b>28,547,492</b>

##### NONCURRENT ASSETS:

Capital assets (net of accumulated depreciation)	40,892,980
<b>Total Noncurrent Assets</b>	<b>40,892,980</b>
<b>Total Assets</b>	<b>69,440,472</b>

##### DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pensions	352,282
<b>Total Deferred Outflows of Resources</b>	<b>352,282</b>

<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$69,792,754</b>
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#### LIABILITIES

##### CURRENT LIABILITIES:

Accounts payable	\$3,479,536
Accrued interest	319,068
Unearned revenue	21,622
Deposits payable	859,849
Compensated absences (note 6)	147,430
Self-insurance payable (note 12)	-
Bonds, notes, and loans payable	855,000
<b>Total Current Liabilities</b>	<b>5,682,505</b>

##### NONCURRENT LIABILITIES:

Compensated absences (note 6)	98,286
Self-insurance payable (note 12)	-
Bonds, notes, and loans payable (note 6)	35,858,979
Net pension liability	1,462,149
<b>Total Noncurrent Liabilities</b>	<b>37,419,414</b>
<b>Total Liabilities</b>	<b>43,101,919</b>

**DEFERRED INFLOWS OF RESOURCES**

Deferred outflows of resources related to pensions	226,089
<b>Total Deferred Inflows of Resources</b>	<b>226,089</b>

**NET POSITION**

Net investment in capital assets	13,977,670
Restricted for public purpose programs	4,605,893
Unrestricted	7,881,183
<b>Total Net Position</b>	<b>26,464,746</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$69,792,754</b>

## Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Fund Year Ended June 30, 2016

**OPERATING REVENUES**

Sales and service charges	
Miscellaneous	
<b>Total Operating Revenues</b>	

**ELECTRIC ENTERPRISE FUND**

\$29,237,200
238,332
<b>29,475,532</b>

**OPERATING EXPENSES**

Cost of services	
Depreciation expense	
Electricity purchased	
Services and supplies	
Distribution	
Self-insurance claims and charges	
<b>Total Operating Expenses</b>	
Net Operating Income ( Loss)	

886,903
1,007,081
11,860,074
4,828,706
3,920,125
-
<b>22,502,889</b>
6,972,643

**NON-OPERATING REVENUES AND EXPENSES**

Interest revenue	
Interest expense	
Engineering plan check fees	
Gain (loss) on disposal of capital assets	

202,544
(1,727,269)
126,463
-

<b>Total Non-operating Revenues (Expenses)</b>	<b>(1,398,262)</b>
<b>Income (Loss) before contributions and transfers</b>	<b>5,574,381</b>

**TRANSFERS**

Contributed capital	
Transfers In (Note 7)	
Transfers Out (Note 7)	
Change in Net Position	

1,886,273
-
-
7,460,654

Net Position - Beginning of year	19,004,092
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<b>Net Position - End of year</b>	<b>\$26,464,746</b>
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## Statement of Cash Flows Proprietary Funds Year Ended June 30, 2016

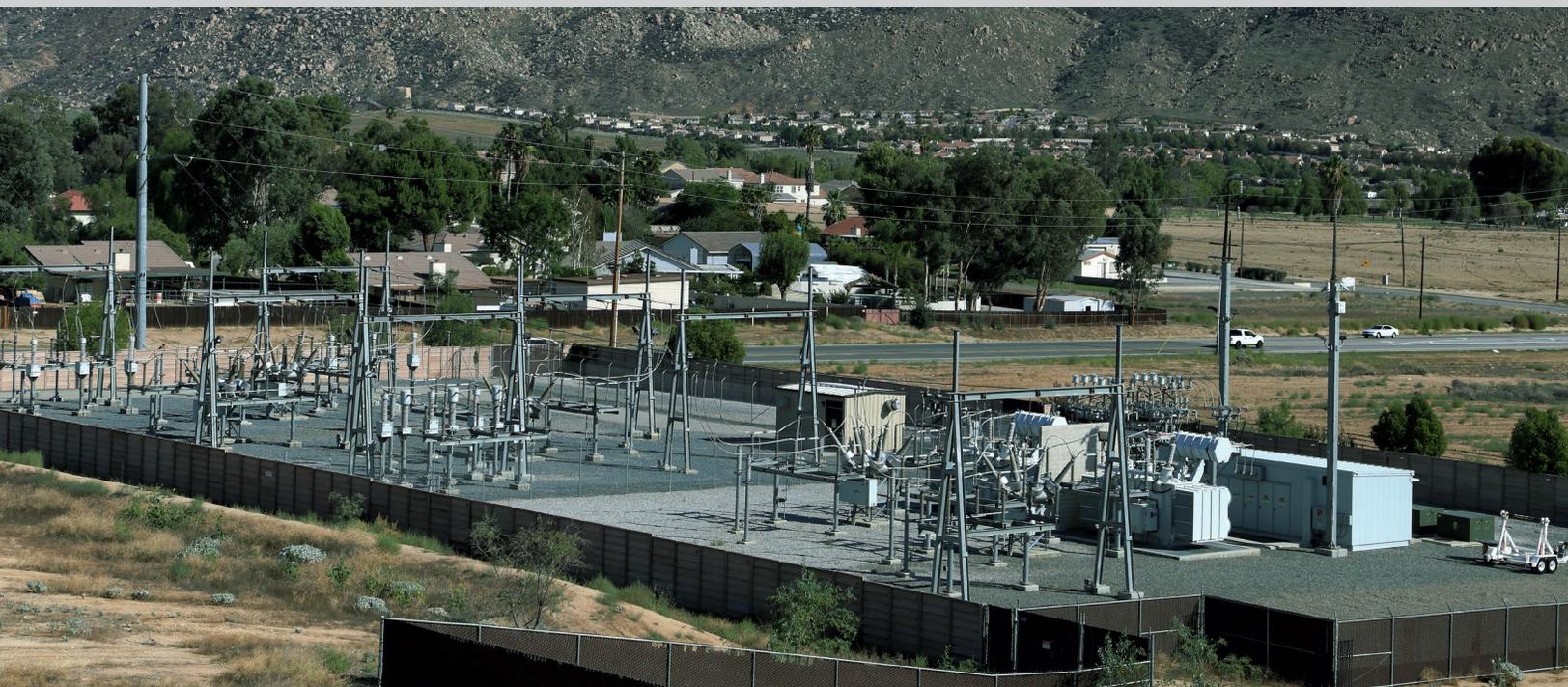
<b>CASH FLOWS FROM OPERATING ACTIVITIES :</b>	<b>ELECTRIC ENTERPRISE FUND</b>
Cash received from customers	\$29,377,313
Cash paid to suppliers for goods and services	(20,552,569)
Cash paid to employees for services	(863,457)
Cash paid for claims	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>7,961,287</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
Cash transfers in	-
Cash transfers out	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Proceeds from capital debt	10,388,293
Debt issuance costs	(380,983)
Proceeds from sale of capital assets	-
Acquisition and construction of capital assets	(1,312,283)
Engineering plan check fees	126,463
Principal paid on capital debt	(648,324)
Interest paid on capital debt	(1,663,650)
Contributed capital	53,915
Repayment of loans to other governments	(63,000)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>6,500,431</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received	202,544
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>202,544</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>14,664,266</b>
<b>Cash and Cash Equivalents , Beginning of year</b>	<b>9,914,348</b>
<b>Cash and Cash Equivalents, End of year</b>	<b>\$24,578,614</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
<b>Operating Income (Loss)</b>	<b>\$6,972,643</b>
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Depreciation	1,007,081
(Increase) decrease in accounts receivable	(92,303)
(Increase) decrease in prepaid costs	500
(Increase) decrease in deferred outflows of resources related to pension	(228,971)
(Increase) decrease in inventory	(53,915)
Increase (decrease) in accounts payable	1,228,043
Increase (decrease) in unearned revenue	(5,916)
Increase (decrease) in deposits payable	(164,767)
Increase (decrease) in self-insurance payable	-
Increase (decrease) in advance from other funds	(953,525)
Increase (decrease) in pension liability	143,926
Increase (decrease) in compensated absences	108,491
<b>Total adjustments</b>	<b>988,644</b>
<b>Net Cash Provide (Used) by Operating Activities</b>	<b>\$7,961,287</b>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Contributed capital - donated infrastructure	(\$1,832,358)

The following is a schedule of changes in business-type activities capital assets for the year ended June 30, 2016:

	<i>Balance July 1, 2015</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance June 30, 2016</i>
<b>NON-DEPRECIABLE ASSETS:</b>				
Land	\$1,729,408	\$ -	\$ -	\$1,729,408
Construction in progress	5,013	1,404,860	-	1,409,873
Total Non-Depreciable Assets	1,734,421	1,404,860	-	3,139,281
<b>DEPRECIABLE ASSETS:</b>				
Furniture and equipment	-	625,019	-	625,019
Infrastructure	43,731,366	1,820,745	(585,000)	44,967,111
Total Depreciable Assets	43,731,366	2,445,764	(585,000)	45,592,130
<b>LESS ACCUMULATED DEPRECIATION:</b>				
Furniture and equipment	-	-	(325,000)	(325,000)
Infrastructure	(7,091,350)	(1,007,081)	585,000	(7,513,431)
Total Accumulated Depreciation	(7,091,350)	(1,007,081)	260,000	(7,838,431)
Total Depreciable Assets, Net of Accumulated Depreciation	36,640,016	1,438,683	(325,000)	37,753,699
<b>Total Net Capital Assets</b>	<b>\$38,374,437</b>	<b>\$2,843,543</b>	<b>\$(325,000)</b>	<b>\$40,892,980</b>

**DEPRECIATION EXPENSE FOR BUSINESS-TYPE ACTIVITIES WAS CHARGED AS FOLLOWS :**

Electric Utility	\$1,007,081
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WWW.MOVAL.ORG

MORENO VALLEY UTILITY  
14331 Frederick St #2  
Moreno Valley, CA 92553  
Tel. 951.413.3500

