



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: APRIL 22, 2024

SUBJECT: ANNUAL ELECTRIC AND WATER UTILITY RATE PLAN UPDATE FOR THE RESULTS OF FISCAL YEAR 2022-23

ISSUE:

Consider receiving the annual electric and water utility rate plan update for the results of Fiscal Year 2022-23.

RECOMMENDATION:

That the Board of Public Utilities recommend the City Council receive the annual electric and water utility rate plan update for the results of Fiscal Year 2022-23.

BACKGROUND:

The Riverside Public Utilities Department (RPU) is responsible for the operations of the City-owned water and electric utilities. It provides high quality and reliable services to over 112,000 metered electric customers and approximately 66,000 metered water customers throughout the City of Riverside. The electric and water utility funds are self-supporting enterprise funds that provide services for a fee. Per the City Charter, the Board has the authority to establish, and the City Council has the authority to approve rate changes when necessary to ensure the continued recovery of costs for services and to secure reinvestment into the system infrastructure for long-term sustainability.

On May 22, 2018, the City Council approved the electric and water utility rate plans with water rate increases effective July 1, 2018, and electric rate increases effective January 1, 2019. Additionally, the City Council directed staff to provide an annual review of the adopted rates.

The Board and City Council received the first annual electric and water utility rate plan update for Fiscal Year (FY) 2018-19 on January 13, 2020, and February 11, 2020.

The Board and City Council received the second annual electric and water utility rate plan update for FY 2019-20 on December 22, 2020, and January 5, 2021. On April 19, 2021, and June 15, 2021, the Board and City Council respectively approved to delay the third year of the electric rate plan from January 1, 2021, to July 21, 2021.

The Board and City Council received the third annual electric and water utility rate plan update for FY 2020-21 on December 13, 2021, and December 14, 2021.

The Board and City Council received the fourth annual electric and water utility rate plan update

for FY 2021-22 on November 28, 2022, and December 13, 2022.

DISCUSSION:

Final FY 2022-23 financial information and results of the annual audit were presented to the Board on January 8, 2024 with the Riverside Public Utilities 2023 Financial Report and to the City Council on January 23, 2024. The five-year annual rate plan is listed below.

Years 1-5		
Electric	January 2019	2.95%
Water	January 2020	3.0%
	January 2021	3.0%
	January 2022	3.0%
	January 2023	3.0%
	July 2018	4.50%
	July 2019	5.75%
	July 2020	5.75%
	July 2021	5.75%
	July 2022	6.50%

Implementation of the Third Year of the Electric Rate Plan was delayed six months and implemented July 1, 2021.

Based on system average, rate increases vary by customer class and consumption levels.

On September 19, 2023, the City Council approved the new electric and water utility five-year rate plans with the first year of water rate increases effective October 1, 2023, and electric rate increases effective January 1, 2024. The financial results inclusive of the new plan will be presented in the winter of 2024.

Years 1-5		
Electric	January 2024	7.0%
Water	January 2025	7.0%
	January 2026	7.0%
	January 2027	2.0%
	January 2028	2.0%
	October 2023	6.5%
	July 2024	6.5%
	July 2025	6.5%
	July 2026	6.5%
	July 2027	6.5%

Based on system average, rate increases vary by customer class and consumption levels.

Electric Fund

The Electric Utility maintains and operates 99 circuit miles of transmission lines, 1,355 circuit miles

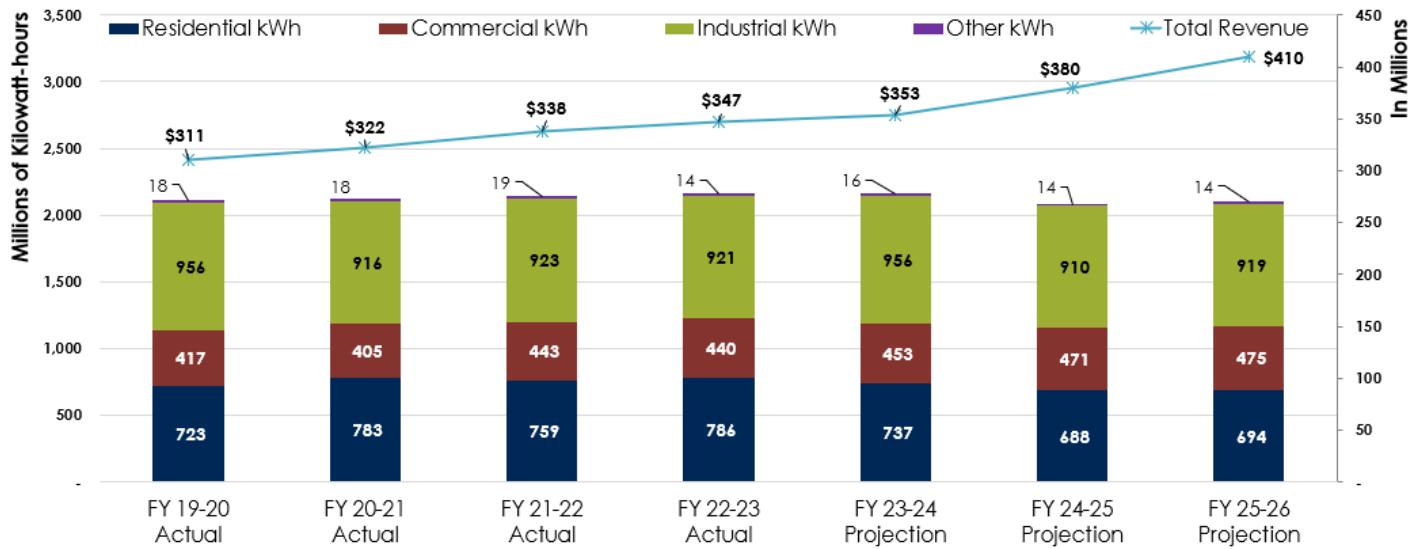
of distribution lines, 16 substations, and three (3) generating plants totaling 262 megawatts. Charges for service through rates are the primary source of funding for operations and funds a portion of the capital improvement program. The capital improvement program is funded by a combination of bond proceeds, rates, reserves, and developer fees.

Electric rates for customers are comprised of a fixed monthly customer charge, a reliability charge based on the customers' energy consumed or service plan size, a network access charge, a commercial demand charge, and energy charges that are based on the quantity of energy consumed by the user. During FY 2022-23, the average residential customer experienced a \$3.75 increase in their monthly bill with the fifth year of the rate plan effective January 1, 2023. For FY 2023-24, the average residential customer experienced a \$7.97 increase in their monthly bill with the first year of a new rate plan effective January 1, 2024. The implementation of the scheduled rate plan ensures adequate funding for essential capital projects for addressing aging infrastructure and escalating costs of materials and services in today's market.

Electric Utility Revenues:

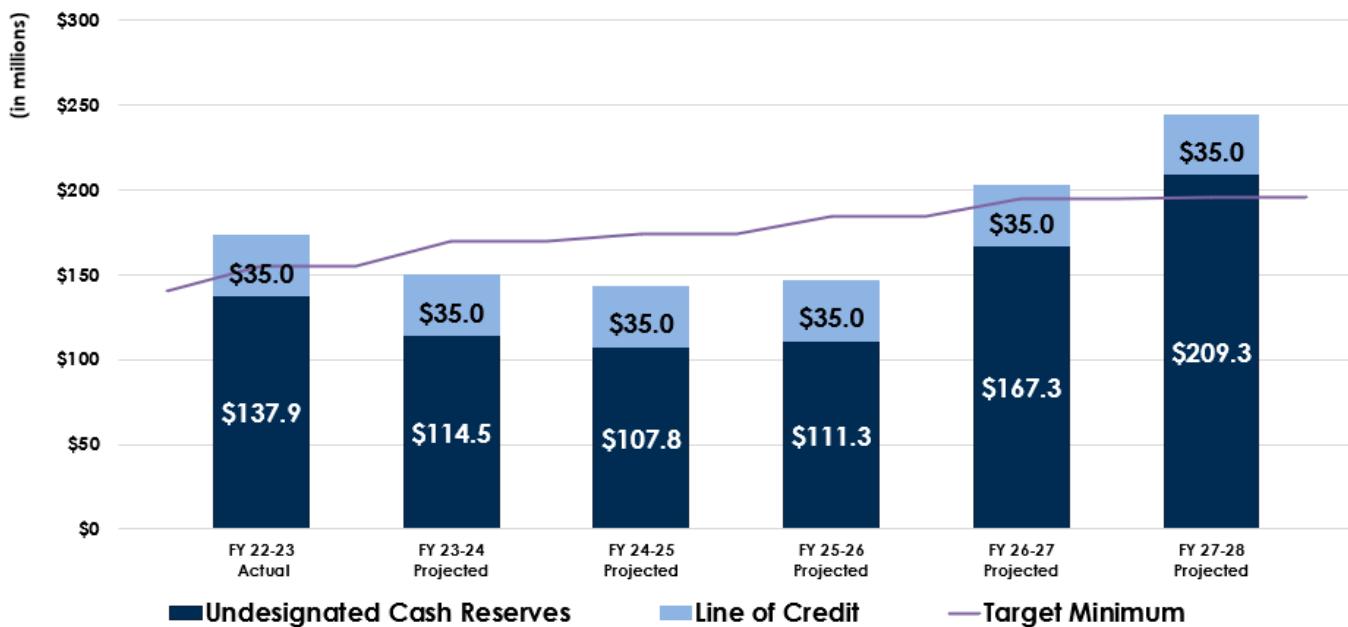
The table below provides a historical view of energy consumption, which illustrates a 0.8% increase in FY 2022-23 from the previous year. FY 2022-23 which saw an increase in residential consumption offset by a decrease in commercial and industrial consumption. The increase in retail sales from the previous year of 2.8% is due to the impacts of the scheduled fifth year rate plan adjustment effective January 1, 2023. FY 2023-24 includes actual sales through December 31, 2023, and projected sales for the remaining six months of the year. Through December 31, 2023, retail sales are 5.5% lower than prior year due to a 9.1% decrease in consumption compared to prior year. The remaining six months of FY 2023-24 include the first year adjustment of the new rate plan effective January 1, 2024.

HISTORIC RETAIL SALES

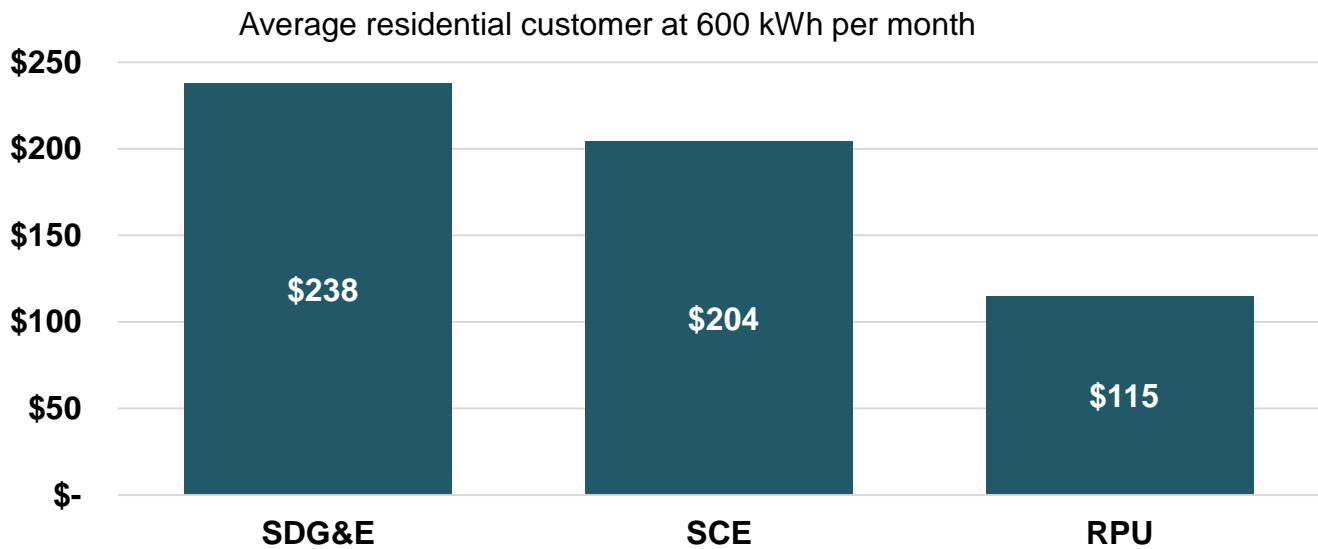


The preliminary fiscal impact of the Electric rate plan for the undesignated cash reserve balance, in conjunction with the line of credit, is included in the table below. The undesignated cash reserve balance in conjunction with the line of credit is projected to fall below target minimum reserve levels for three years before returning above target minimum reserve levels in Fiscal Year 2026/27 as permitted by the RPU Cash Reserve Policy and consistent with the approved Electric rate plan.

ELECTRIC UNDESIGNATED CASH RESERVES



The following table is an example of a typical RPU residential customer's monthly electric bill as compared to Southern California Edison and San Diego Gas and Electric for the same time.



Water Fund

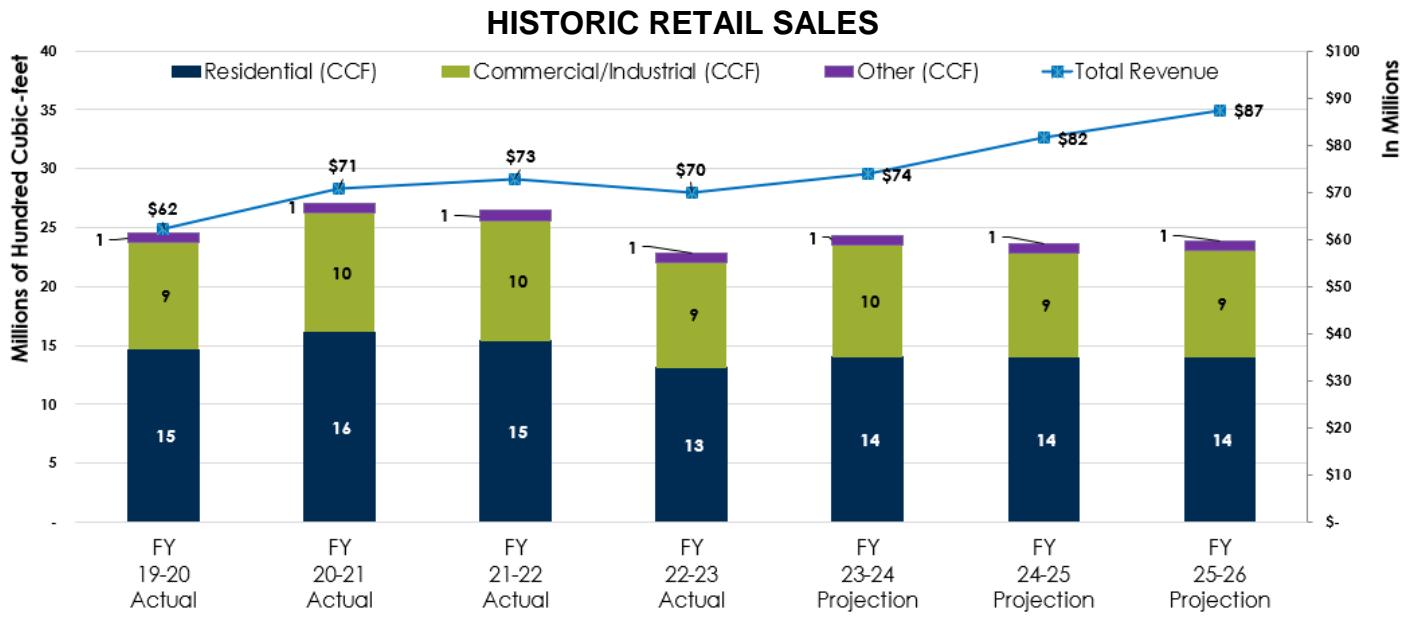
The Water Utility maintains and operates 993 miles of pipeline, 56 wells, 16 active reservoirs, and six (6) treatment plants. Charges for service through rates are the primary source of funding for operations and also funds a portion of the capital improvement program. The capital improvement program is funded primarily through bond proceeds, but also is funded through rates, reserves,

and developer fees.

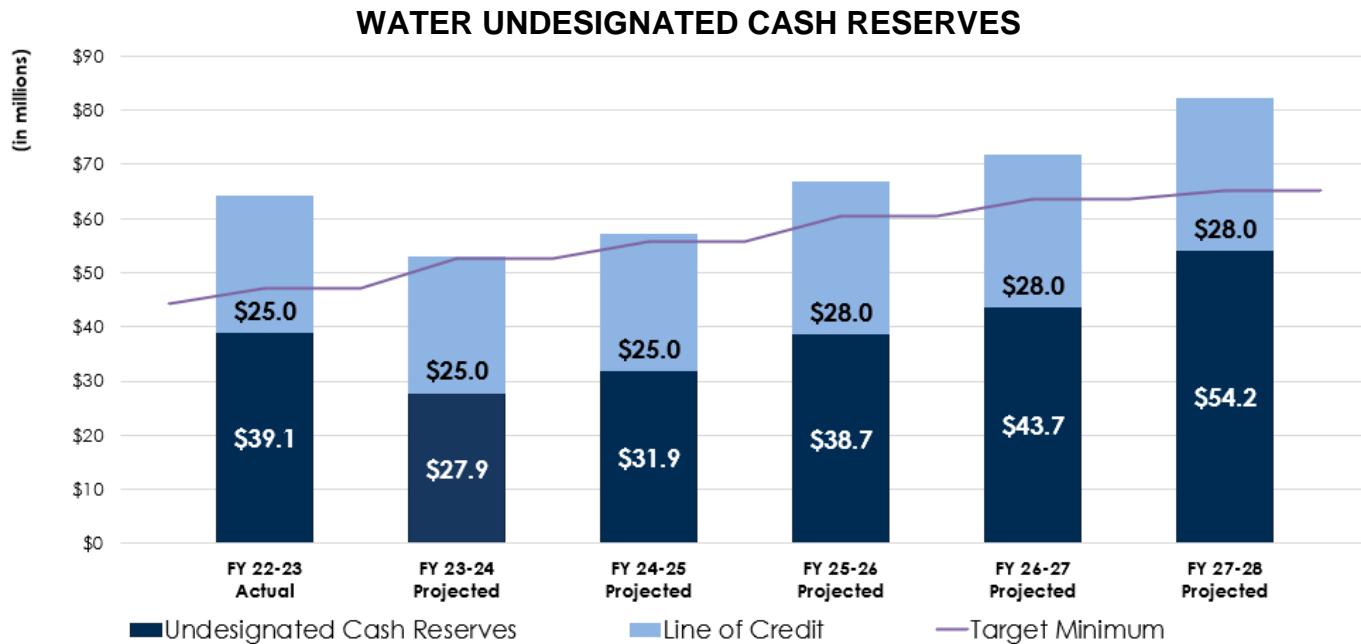
Water rates for customers are comprised of a fixed monthly customer charge based on the size of the meter and a commodity charge that is based on the quantity of water consumed by the user. During FY 2022-23, the average residential customer experienced a \$4.07 increase in their monthly bill. For FY 2023-24, the average residential customer will experience a \$4.07 increase in their monthly bill with the first year of a new rate plan effective October 1, 2023. The implementation of the scheduled rate plan ensures adequate funding for essential capital projects for addressing aging infrastructure and escalating costs of materials and services in today's market.

Water Utility Revenues:

The table below provides a historical view of water sales, which illustrates a 13.7% decrease in water usage for FY 2022-23 from the previous year. Weather significantly impacts retail sales for the utility and during 2019-20, Riverside experienced a significant amount of precipitation that reduced the overall demand for water. FY 2020-21 experienced below average precipitation that increased the overall demand for water. FY 2021-22 experienced slightly more precipitation than FY 2020-21, while still below typical precipitation levels. FY 2022-23 experienced significantly more precipitation than FY 2021-22. The decrease in retail sales from the prior year of 4.1% is due to the impacts of the decrease in significant decrease in consumption from prior year slightly offset by the fifth-year rate plan adjustment effective July 1, 2022. FY 2023-24 includes actual sales through December 31, 2023, and projected sales for the remaining six months of the year. Through December 31, 2023, retail sales are 1.2% lower than prior year due to a 5.6% decrease in consumption compared to prior year. FY 2023-24 projections include the first year adjustment of the new rate plan effective October 1, 2023.



The preliminary fiscal impact of the Water rate plan for the undesignated cash reserve balance, in conjunction with the line of credit, is included in the table below. In compliance with the RPU Cash Reserve Policy, undesignated cash reserves in conjunction with the line of credit are projected to maintain target minimum reserve levels.



The following table is an example of a typical RPU residential customer's monthly water bill as compared to Western Municipal Water District and Eastern Municipal Water District for the same time period.



STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 6 - Infrastructure, Mobility & Connectivity** and **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.

This item aligns with EACH of the five Cross-Cutting Threads as follows:

1. **Community Trust** – The utility rate plans are transparent and developed with our customers' and the community's wellbeing as a top priority.
2. **Equity** – The utility rate plans include an equitable allocation of costs among customer classes.
3. **Fiscal Responsibility** – The utility rate plans incorporate forecasted operating and capital expenditures funded by the prudent use of rate revenue, bond proceeds, and reserves in accordance with RPU's Fiscal Policies.
4. **Innovation** – The utility rate plans fund operating and capital expenditures to meet the current and future needs of its customers.
5. **Sustainability & Resiliency** – The utility rate plans equitably recover costs while maintaining the long-term financial health of RPU and ensures the utility is resilient to future challenges.

FISCAL IMPACT:

There is no fiscal impact associated with receiving this annual electric and water utility rate plan update.

Prepared by: Carlie Myers, Utilities Assistant General Manager/Business and Customer Services

Approved by: Todd M. Corbin, Utilities General Manager

Certified as to

availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer

Approved by: Rafael Guzman, Assistant City Manager

Approved as to form: Phaedra A. Norton, City Attorney

Attachment: Presentation