

Electric Utility and Water Utility 5-Year Rate Proposal 2018 – 2023

Public Hearing
Board of Public Utilities
May 14, 2018

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Utility 2.0 Strategic Goals



Customer Service



Sustainability



Reliability & Resiliency



Operational Excellence



Affordability



Strong Workforce

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5-Year Rate Proposal

| | Years 1-5 (2018-2022) | |
|----------|--------------------------|-------|
| Electric | July 2018 | 2.95% |
| | July 2019 | 3.0% |
| | July 2020 | 3.0% |
| | July 2021 | 3.0% |
| | July 2022 | 3.0% |
| Water | July 2018 | 4.50% |
| | July 2019 | 5.75% |
| | July 2020 | 5.75% |
| | July 2021 | 5.75% |
| | July 2022 | 6.50% |

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



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City Council Direction

1. November 28, 2017 (1st City Council/Board Joint Workshop)

- Expanded low/fixed income assistance
- Forecast to avoid future "stair step" increases
- Form Agricultural Water Rates Task Force and freeze rates for 12 months

2. January 18, 2018 (2nd City Council/Board Joint Workshop)

- Conceptually approved rate proposal
- Include GFT explanation on customer bills
- Schedule workshop on budget-based and summer rates in three months **(September 2018)**



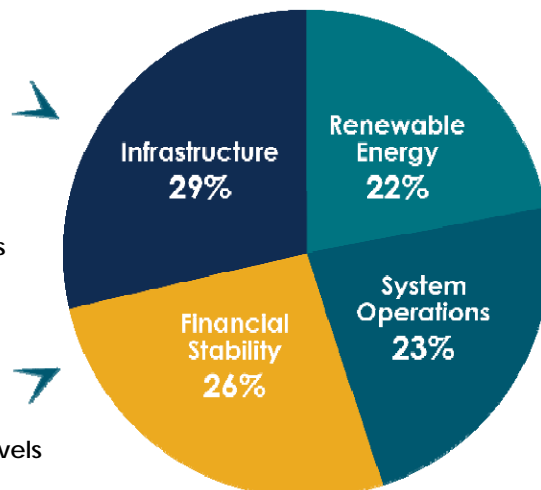
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Why Change Rates?

1. Essential **infrastructure investments**, including water **pipeline replacements** and **upgrades to electric** substation components and underground equipment
2. State-mandated **renewable energy is costly**
3. Existing revenues are **insufficient** to operate the utility
4. **Financial stability is the key** to maintaining strong bond ratings and low debt costs

Electric Rate Increase Pays For

- 3,080 Poles
- 62 Miles Cable
- 7 Substation Transformers
- 262 Underground Vaults
- Voltage Conversions
- System Automation
- Charter Transfer to General Fund
- Minimum Reserve Levels

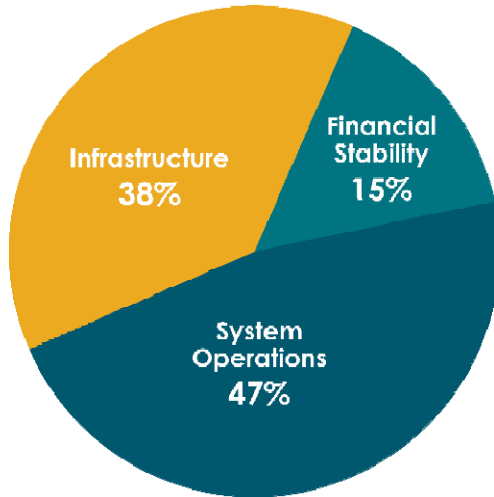


- 50% Renewable Energy by 2030
- 0% Coal by 2025

- System Maintenance
- Fleet & Fuel
- Labor

Water Rate Increase Pays For

- 49 Miles Pipeline
- Replace Techite Pipe
- 5 Wells
- 3 Pressure Stations
- 3 Treatment Filter Replacements
- 1 Recycled Water & Storm water Capture Project
- System Automation



- Charter Transfer to General Fund
- Minimum Reserve Levels

- System Maintenance
- Fleet & Fuel
- Labor



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Infrastructure Needs

Electric Substation Component Replacements

- Neighborhood power distribution centers
- Many transformers are old, fire risk
- Old switchgear lack employee safety feature

Water Pipeline Replacements

- Many pipelines installed after World War II
- 4 miles Techite transmission pipeline at risk
- 200 miles cast iron pipeline at risk



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Keeping Rates as Low as Possible

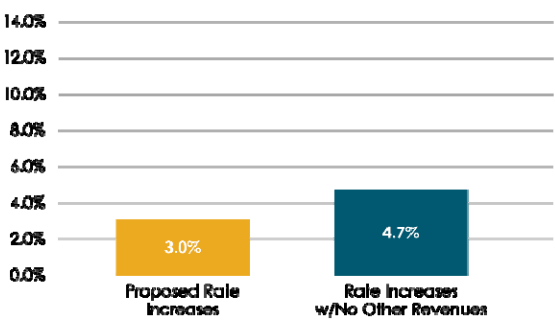
1. **Transmission Revenues** | \$36-39 million/year
2. **Cap-and-Trade Revenues** | \$4-8 million/year (3 years)
3. **Water Conveyance and Sales** | \$6-8 million/year
4. **Excess Renewable Energy Sales** | \$1-2 million/year (3 years)
5. **Solar at Well Sites** | \$800,000/year
6. **Scheduling Services** | \$750,000/year
7. **\$65 Million Line of Credit** | reduced cash reserves
8. **55-year Ground Lease** | \$1.1 M (\$0.5 M net revenue)/year
9. **Operational Efficiencies** | \$3 million/year



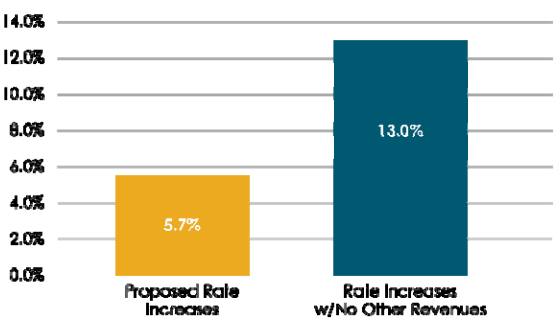
IMPORTANT: RPU Board approved the budget with the exception of the elimination of 5 positions and transfer to City of 9 RPU funded positions, pending consideration of the RPU Finance/Customer Relations Committee. These personnel items save RPU \$1.25 million per year. These savings are included in the \$3 million above, and incorporated into the rate proposal. **SHOULD COSTS BE ADDED BACK, ALTERNATIVE REDUCTIONS WILL BE NEEDED.**

Keeping Rates as Low as Possible





5 Year Average Electric Rate Increase



5 Year Average Water Rate Increase



Historical Residential Rates

| Electrical Residential | 10 Year Avg. | 20 Year Avg. | Water Residential | 10 Year Avg. | 20 Year Avg. |
|---|--------------|--------------|--|--------------|--------------|
|  | 1.2% | 1.9% |  | 3.0% | 4.4% |
|  | 2.1% | 2.6% |  | 7.7% | 4.9% |



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Estimated Residential Average Monthly Bill Increase for Each of the Next 5 Years

| Residential Average Monthly Bill Increase | Low-Use 355 kWh 12 ccf | Typical-Use 592 kWh 19 ccf | High-Use 1400 kWh 29 ccf |
|---|------------------------------|----------------------------------|--------------------------------|
| Electric | \$2.06 (3%) | \$3.02 (3%) | \$5.62 (2%) |
| Water | \$3.00 (9%) | \$3.21 (7%) | \$4.31 (6%) |
| Average Combined | \$5.06 (5%) | \$6.23 (4%) | \$9.94 (3%) |

*These averages are based on a 5-year plan.
Includes Public Benefits Charge and Water Conservation Surcharge



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Estimated **Commercial** Average Monthly Bill Increase for Each of the Next 5 Years

| Commercial Average Monthly Bill Increase | Small 500 kWh 10 ccf | Medium 2400 kWh 37 ccf | Large 8000 kWh 119 ccf |
|--|----------------------------|------------------------------|------------------------------|
| Electric | \$2.50 (2%) | \$11.77 (3%) | \$30.57 (2%) |
| Water | \$3.17 (9%) | \$5.35 (6%) | \$15.57 (5%) |
| Average Combined | \$5.67 (4%) | \$17.12 (3%) | \$46.15 (3%) |

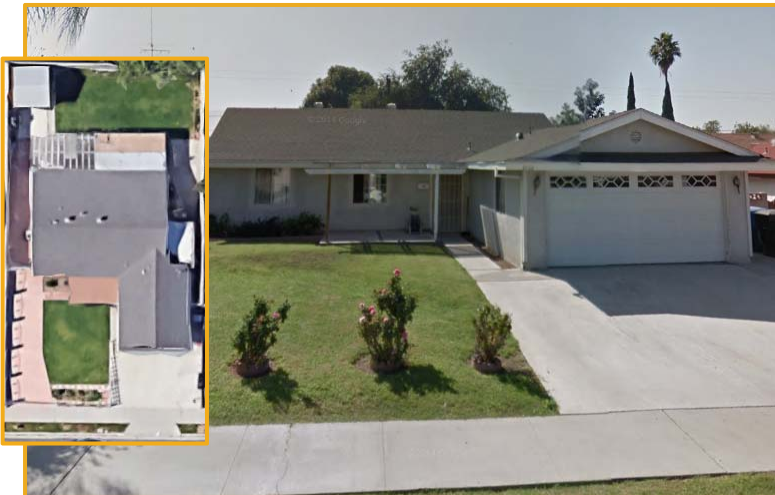
*These averages are based on a 5-year plan.
Includes Public Benefits Charge and Water Conservation Surcharge

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Typical Residential Customer Estimated Average Annual Monthly Bill Increase



Water:
\$3.00/18 ccf

Electricity:
\$2.70/575 kWh

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Low Water/Electricity Use Residential Customer

Estimated Average Annual Monthly Bill Increase



Water:
\$2.60/6 ccf

Electricity:
\$1.80/238 kWh

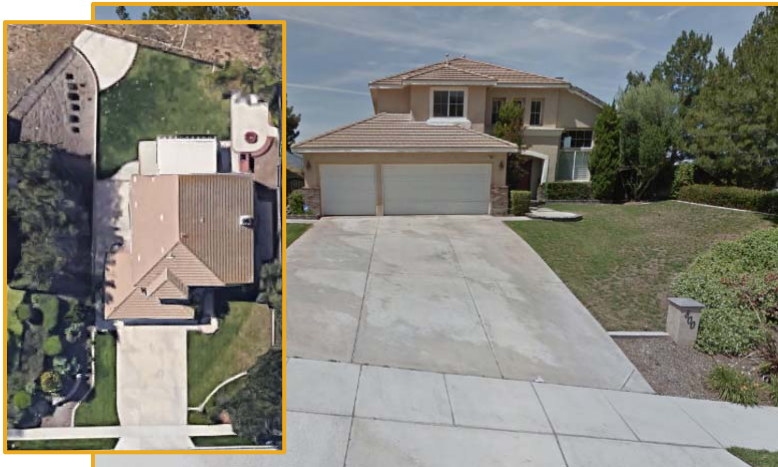
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High Water/Electricity Use Residential Customer

Estimated Average Annual Monthly Bill Increase



Water:
\$6.10/44 ccf

Electricity:
\$4.90/1,047 kWh

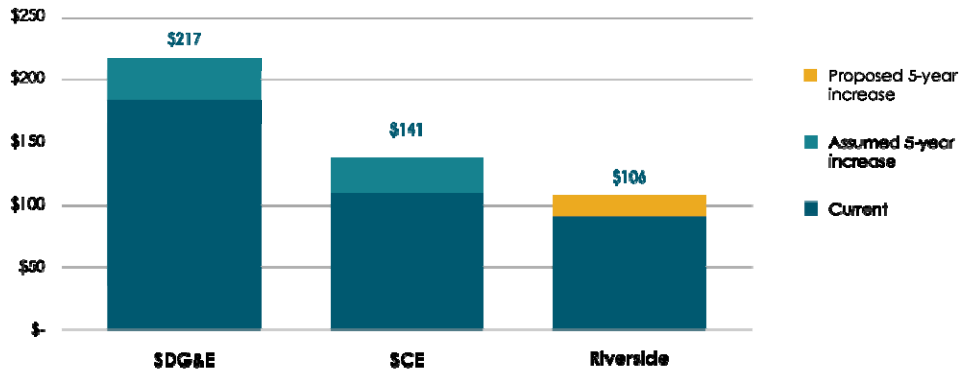
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Proposed Electric Rate Remains Competitive

Proposed average residential rate for 592 kWh per month



SCE-2019 to 2020 General Rate Case Papers: 2021-2023 (average of 2018 to 2020); SDG&E-Assumed 3% per year

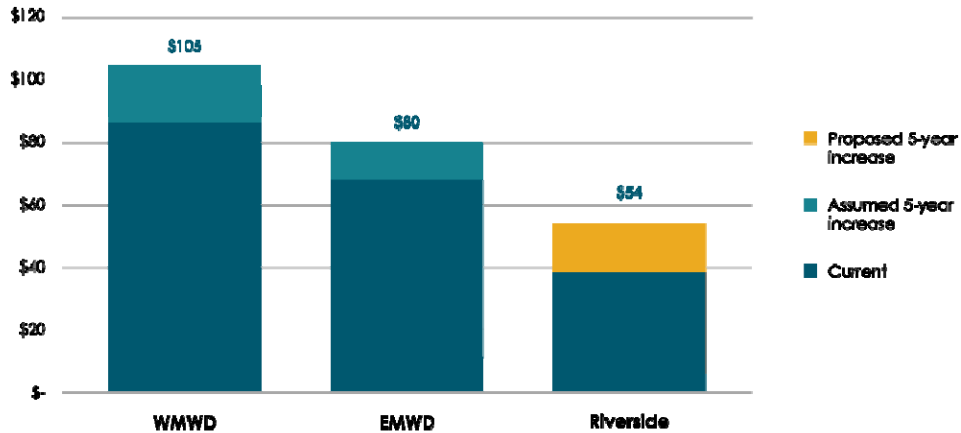


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Proposed Water Rate Remains Competitive

Proposed average residential rate for 19 ccf per month



WMWD includes approved increases for January 2019 and 2020, followed by assumed 3% increases in 2021 and 2023; EMWD includes an approved increase for January 2019 followed by assumed 3% increases for 2020-2023



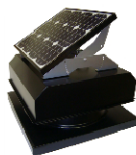
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Expanded Income-Qualified Programs

1. **Sharing Households Assist Riverside's Energy (SHARE)**
 - a. Increase eligibility from 150% to 200% of the Federal Poverty Level
 - b. \$150/year annual deposit assistance and emergency assistance
 - c. \$14 monthly electric bill credit; \$2.25 monthly water bill credit
2. **Energy Saving Assistance Program (ESAP)**
 - a. Align program eligibility with SHARE/County
 - b. Automatically sign up SHARE-qualified customers
3. **Improve Program Access/Convenience for Customers**
4. **Stakeholder Process and Needs Assessment**

Electric and Water Efficiency Programs



Electric

- Year 1: Led Bulbs
- Year 2: Solar Attic Fan
- Year 3: Ceiling Fans
- Year 4: A/C Tune-up
- Year 5: Energy Star TV

Water

- Year 1: Smart Controller
- Year 2: Efficient Toilets
- Year 3: Efficient Nozzles
- Year 4: Efficient Washer
- Year 5: Waterwise Plants



Public Notices and Next Steps

| Activity | Date |
|--|------------------------------|
| Water Public Hearing Notice Mailed to Customers | March 20, 2018 |
| Electric and Water Public Hearing Notices in Local Newspaper | April 29, 2018 & May 6, 2018 |
| Public hearing before Board of Public Utilities | May 14, 2018 |
| City Council Consideration of Board Rate Recommendations | May 22, 2018 |
| Rates Effective | July 1, 2018 |



Recommendations

That the Board or Public Utilities:

1. Conduct a public hearing to receive public input related to the electric and water utility five-year rate proposal and to consider and tabulate all written protests to the proposed water rate increases;
2. Adopt a resolution recording receipt of written protests to the proposed 2018-2023 Water Rates and, if no majority protest is received to those water rates, establishing the 2018-2023 Electric and Water Rules and Rates, as further described in that resolution;
3. Recommend that the City Council adopt a resolution approving the 2018-2023 Electric and Water Rules and Rates; and
4. Recommend that the City Council approve changes to the Sharing Households Assist Riverside's Energy Program and Energy Saving Assistance Program.

