

IMPLEMENTATION OF THE THIRD YEAR OF THE ELECTRIC RATE PLAN

Riverside Public Utilities

City Council
June 15, 2021

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BACKGROUND

On May 22, 2018, City Council approved the electric and water five-year rate plans:

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

On April 19, 2021, the Board of Public Utilities reviewed the implementation date for the Third Year of the Electric Rate Plan and approve delaying the implementation of the Third Year of the Electric Rate Plan to no later than July 1, 2021.

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

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THIRD YEAR OF THE ELECTRIC RATE PLAN

1. On December 22, 2020, due to impacts of COVID-19, the Board of Public Utilities voted to forward a recommendation to City Council to delay the implementation of the third year of the electric rate plan until March 31, 2021.
2. On January 5, 2021, City Council voted to direct the City Manager to delay the implementation of the third year of the electric rate plan until March 31, 2021 and directed staff to provide a report on customer delinquencies.

THIRD YEAR OF THE ELECTRIC RATE PLAN

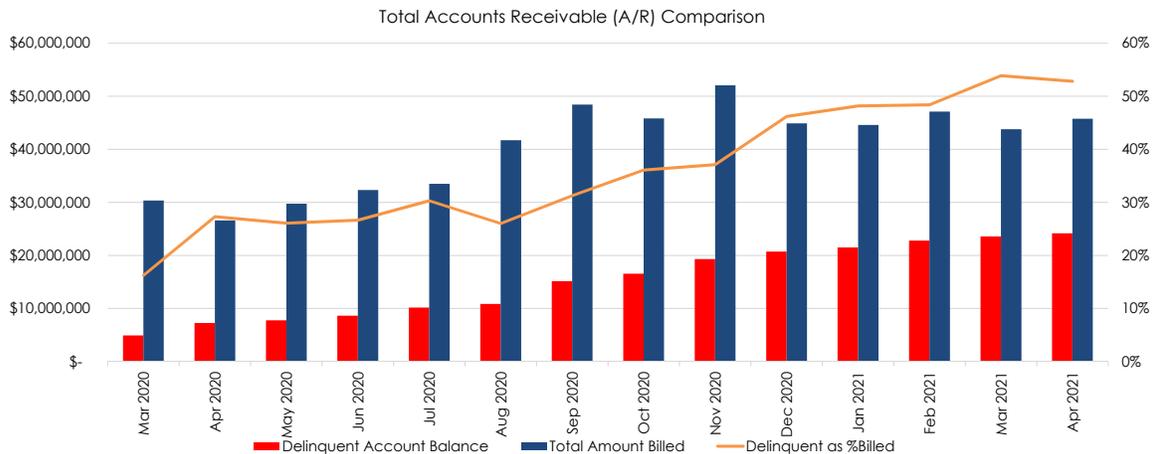
3. On March 23, 2021, City Council voted to receive and file a report on utility customer account delinquencies; and refer to the Board of Public Utilities for recommendation on the implementation of a restructured 3% increase of the electric rate plan, per Charter Section 1202(e).
4. On April 19, 2021, the Board of Public Utilities unanimously voted to receive the report on utility year-to-date revenues and customer delinquency and to approve delaying the implementation of the Third Year of the Electric Rate Plan to no later than July 1, 2021, with an estimated electric fund revenue reduction of \$4.4 million to meet fiscal year 2021/2022 budget assumptions.

ACCOUNT DELINQUENCIES

1. On March 17, 2020, City Council unanimously voted to direct the City Manager to **suspend discontinuance of water, electric, sewer and refuse utility service for nonpayment** during the declared COVID-19 pandemic.
2. Accounts receivable for all services including electric, water, sewer, and refuse have increased by 51% or \$15.4 million from \$30.3 million in March 2020 to \$45.7 million on April 27, 2021. During the same period, delinquent accounts receivable has increased 391% or \$19.2 million from \$4.9 million in March 2020 to \$24.1 million on April 27, 2021.

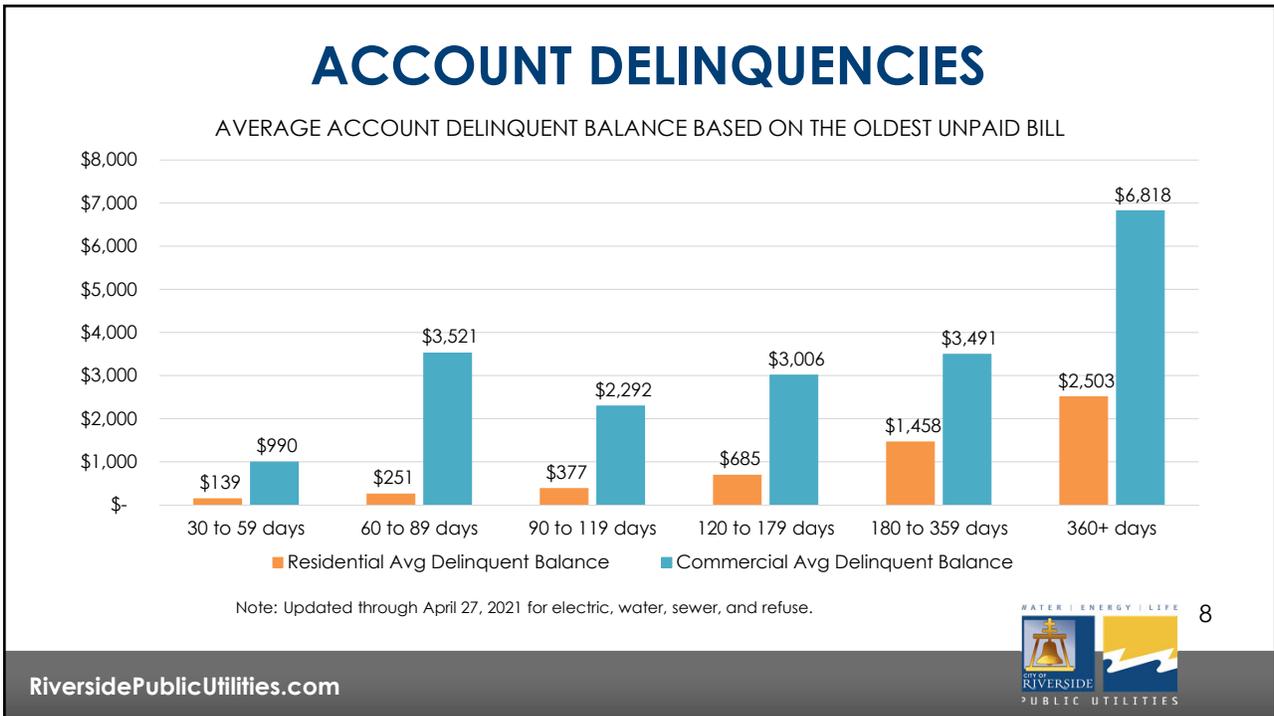
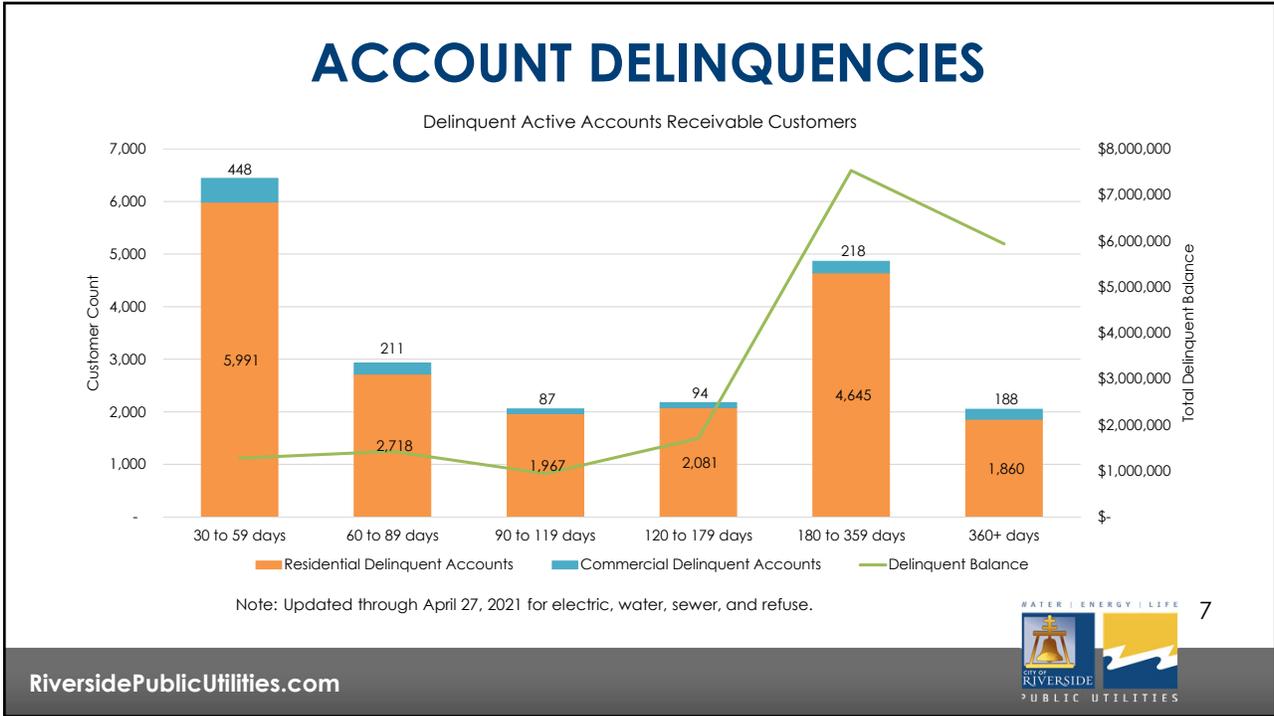


ACCOUNTS STATUS ALL SERVICES (Electric, Water, Sewer & Refuse)



Notes: 1. Delinquent Account Balance includes active & inactive accounts.
2. Updated through April 27, 2021 for electric, water, sewer, and refuse.





CUSTOMER ASSISTANCE PROGRAMS

1. Suspended utility service shut-offs for nonpayment
2. Residential Assistance Programs
 - <http://www.riversidepublicutilities.com/residents/rebates-assistance.asp>
 - a. COVID - Emergency Recovery Assistance Program (ERAP) - residential electric customers with a one-time \$400 credit towards their utility bill
 - b. SHARE –assists qualified active residential customers with reduced account deposits and monthly credits for electric and water bills
3. Business Assistance Programs (ended 3/31/21)
 - COVID - Small Business Deposit Credit <https://riversideca.gov/sbdc>
4. Federal and State COVID Relief
 - Rental Assistance Aid includes utility bill assistance

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THIRD YEAR OF THE RATE PLAN – ESTIMATED CUSTOMER COSTS

1. In the second year of the electric plan, effective January 1, 2020, the average residential customer experienced an additional monthly cost of \$3.08 for electric service.
2. In the third year of the electric plan, not yet implemented, the average residential customer is estimated to experience an additional \$3.22* per month for electric service.

*Based on the average residential monthly electric bill of approximately \$96-\$100

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RPU RATE COMPARISON - RESIDENTIAL

Average residential customer at 600 kWh per month



SDGE- As of June 1, 2021 with rates effective March 1, 2021
SCE- As of June 1, 2021 with rates effective June 1, 2021
RPU- Rates effective January 1, 2020 with delayed implementation of 3rd year of rate plan effective January 1, 2021.

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RPU RATE COMPARISON – COMMERCIAL

Average small commercial customer at 1750 kWh per month



SDGE- As of June 1, 2021 with rates effective March 1, 2021
SCE- As of June 1, 2021 with rates effective June 1, 2021
RPU- Rates effective January 1, 2020 with delayed implementation of 3rd year of rate plan effective January 1, 2021.

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USE OF ELECTRIC FUND RESERVES

Five-year rate plan includes planned use of reserves to keep rate increases as low as possible:

- a) 2018 - Original plan including the use of reserves falling just below target minimum levels (inclusive of the line of credit) by the end of the five-year rate plan
- b) Line of credit approved and included in reserve policy to combine with reserves when applying to target minimum levels, resulting in less cash reserves required



FUND RESERVES & BOND RATINGS

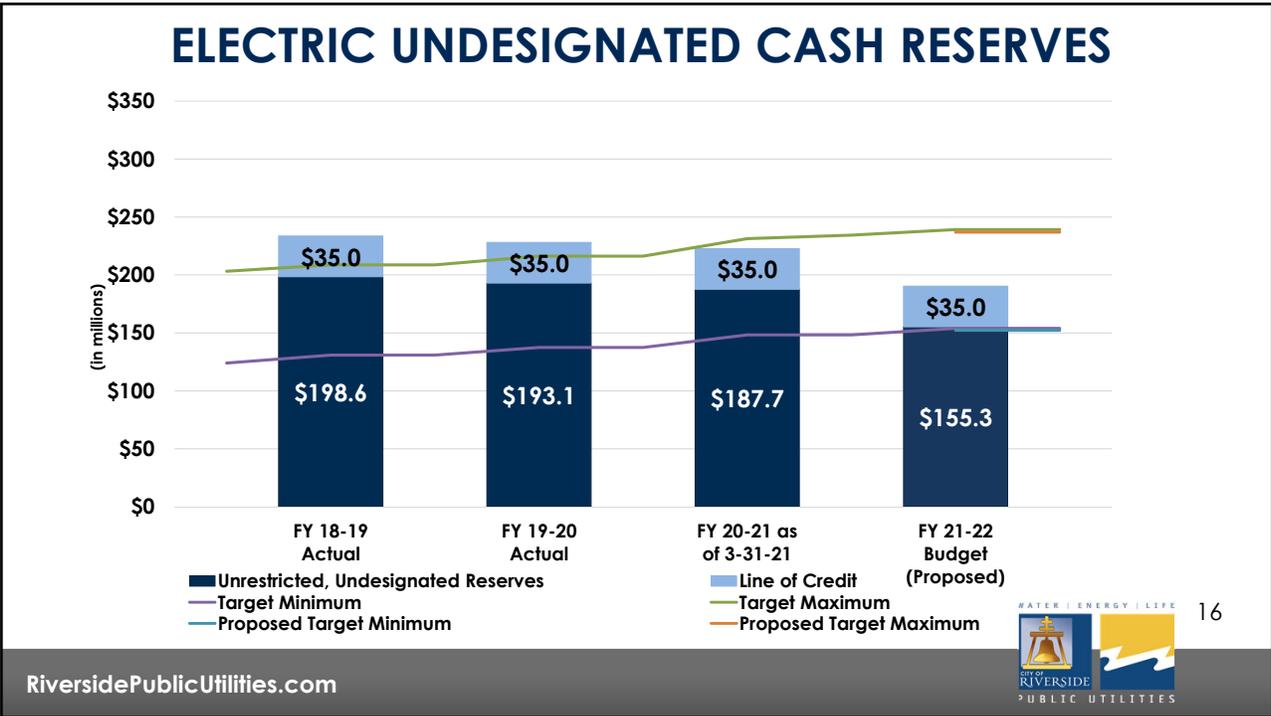
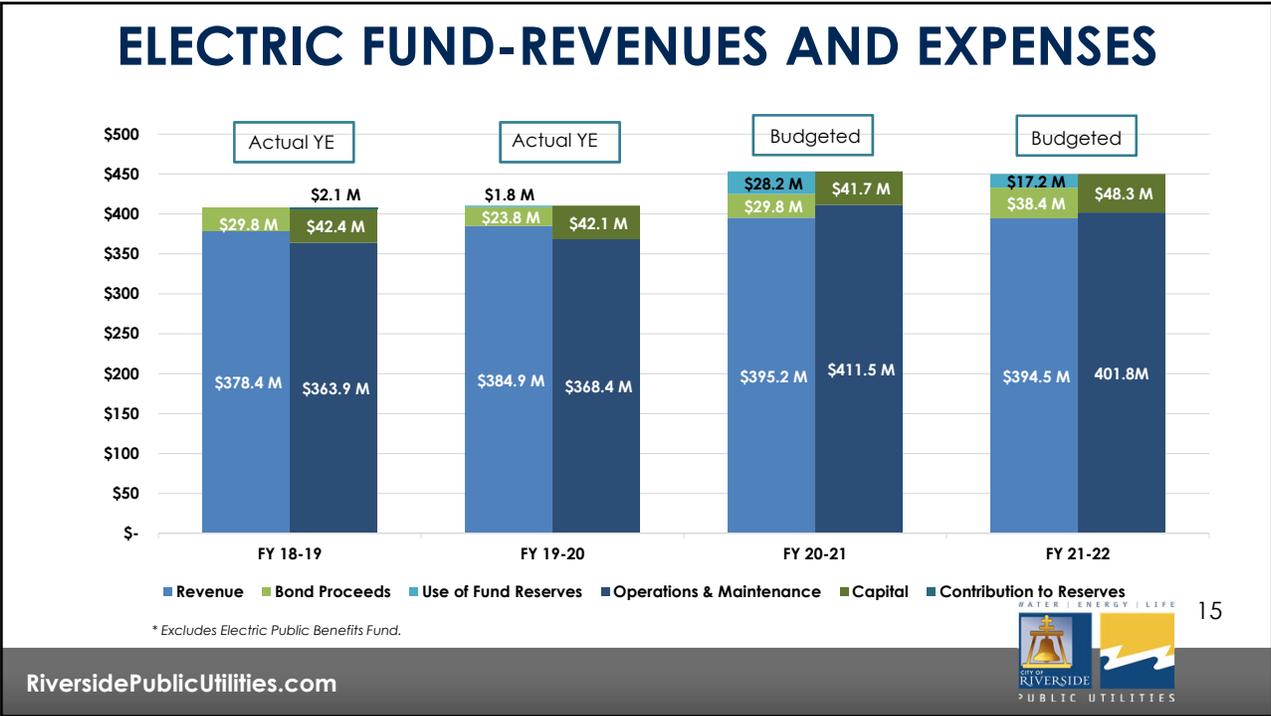
1. Reserves and liquidity are an important component of the overall credit analysis that rating agencies and investors perform.
2. Reserves and Debt Service Coverage are two factors of a rating that the City has control over.
3. The potential impact of a downgrade in credit rating is analyzed in the table below:

Potential Drop in Credit Rating Impact

Issue New Debt (per \$195m)	\$115k per year
*Renewal of Line of Credit (LOC)	\$158.5k per year

*Renewal of LOCs in three years could increase that cost as less banks will be interested in issuing LOC.





ESTIMATED ELECTRIC FUND REVENUE IMPACTS

1. Delaying the implementation of the third year of the electric rate plan from January 1, 2021 to April 1, 2021 is estimated to reduce revenues by **\$2.1M**.
2. Delaying the implementation of the third year of the electric rate plan from January 1, 2021 to July 1, 2021 is estimated to reduce revenues by an additional **\$2.3M** or a total of **\$4.4M**

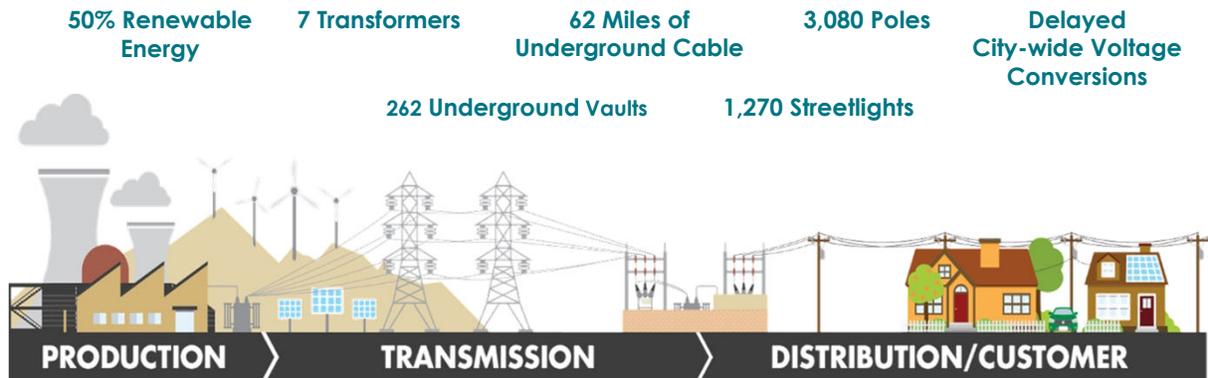
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IMPLEMENTING PROPOSED 10-YEAR ELECTRIC PLAN

Partially Funded by Five-Year Rate Plan



Graphic from 1/18/2018 Joint Workshop 5 year rate presentation

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RECOMMENDATIONS

That the City Council:

1. Receive a report on utility customer delinquency rates; and
2. Implement the third year of the electric rate plan (originally scheduled for January 2021) in the approved amount of 3.0% to begin effective July 1, 2021; **or**
3. Provide direction to the City Manager to establish the date on which to implement the third year of the electric rate plan (originally scheduled for January 2021), and forward that recommendation to the Board of Public Utilities per Charter Section 1202, (e) for consideration and ratification before implementation.