

# RIVERSIDE PUBLIC UTILITIES

## Customer Relations/Finance Committee

**CUSTOMER RELATIONS/FINANCE COMMITTEE**

**DATE: MAY 16, 2022**

**SUBJECT: RIVERSIDE PUBLIC UTILITIES ELECTRIC AND WATER RATE STRUCTURES**

### **ISSUE:**

Consider receiving an update on Riverside Public Utilities' electric and water rate structures.

### **RECOMMENDATION:**

That the Customer Relations/Finance Committee receive an update on Riverside Public Utilities' electric and water rate structures.

### **BACKGROUND:**

At the July 19, 2021 meeting of the Public Utilities Board Customer Relations and Finance Committee, it was requested that a discussion item be presented at a future committee meeting with an overview of the Riverside Public Utilities' electric and water rate structures. This report is responsive to that request.

Riverside Public Utilities (RPU) currently offers seventeen electric and eleven water rate schedules for eligible electric and water customers. The current electric and water rate schedules were adopted by City Council on May 22, 2018, as part of the electric and water five-year rate plans.

RPU's Fiscal Policies include ratemaking principles adopted by City Council on July 26, 2016, in which rate structure design provides a transition to rates that align with the transformational changes occurring in the electric and water industries. The ratemaking principles include the following goals:

- Achieve full recovery of costs.
- Equitably allocate costs across and within customer classes.
- Encourage efficient use of water and electricity.
- Provide rate stability.
- Offer flexibility and options.
- Maintain rate competitiveness in region.
- Be simple and easy to understand.

Electric and water rates are required by California law to be cost of service based. Electric rates are governed by Proposition 26, which was approved by voters in 2010, and water rates are governed by Proposition 218, which was approved by voters in 1996.

## **DISCUSSION:**

RPU's current electric and water rate structures include rate components that are designed by customer class to recover the operating and capital costs associated with providing service to the customer class. The specific rate components recover the fixed and variable costs and may vary by customer class.

Electric utility rate structures consist of the following components:

- Customer Charge - Recovers fixed costs incurred in direct support of the customer including costs associated with labor, equipment, and investments for customer accounting, billing, and customer assistance.
- Energy Charge - Recovers variable costs that change with the changes in electric load. The primary examples of energy-related costs are fuel and purchased power costs.
- Demand Charge - Recovers fixed costs related to the existing and future investments made to produce, transmit, and deliver power from the generation resources to customers.
- Network Access Charge - Recovers fixed demand-related costs to maintain the distribution system to provide power and energy to service customers.
- Reliability Charge – Recovers fixed costs to improve the reliability of Riverside's internal transmission system and provide internal generation of power and energy to service customers.

Water rate structures consist of the following components:

- Customer Charge - Recovers fixed costs that relate to operational support activities including accounting, billing, customer service, and administrative and technical support, along with meter- and capacity-related costs such as maintenance and system capital based on each customer's capacity.
- Consumption Charge - Recovers variable costs incurred by the water system to provide a basic level of service and the sources of supply costs.
- Outside City Surcharge - Recovers additional capital costs incurred to meet demands for water from customers who reside outside of the City and who require additional infrastructure to receive water service.

The current electric and water rate structures both include the following rate types:

- Inclining Block Tiers – Reflecting higher prices for increased usage.
- Seasonal – Seasonal summer and winter tiered usage allocations for electric rate structures and higher prices in the peak summer season for water rate structures.

Additionally, some of the current electric structures include time of use components that vary based on the time energy is delivered to the customer.

### **STRATEGIC PLAN ALIGNMENT:**

This item contributes to **Strategic Priority 6 - Infrastructure, Mobility & Connectivity** and **Goal 6.2** to maintain, protect and improve assets and infrastructure within the City's built environment to ensure and enhance reliability, resiliency, sustainability, and facilitate connectivity.

The item also aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – The electric and water rate structures are transparent and simple for customers to understand, thereby improving community trust.
2. **Equity** – Electric and water utility costs are equitably allocated among customer classes and cost recovery is incorporated into the electric and water rate structures.
3. **Fiscal Responsibility** – The electric and water rate structures are appropriately set to recover the forecasted revenue requirement to fund operating and capital expenditures and maintain target reserve levels which ensures fiscal responsibility and financial health.
4. **Innovation** – Optional electric and water rate offerings including domestic time of use, domestic electric vehicle separately metered, and agricultural water budget structures are an innovative approach to meet the changing needs of the community.
5. **Sustainability & Resiliency** – Riverside's electric and water rate structures equitably recover costs while maintaining the financial health of RPU.

### **FISCAL IMPACT:**

There is no fiscal impact for the informational update on electric and water rate structures.

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Attachment: Presentation