



RIVERSIDE PUBLIC UTILITIES

Customer Relations/Finance Committee

CUSTOMER RELATIONS/FINANCE COMMITTEE

DATE: MAY 16, 2022

SUBJECT: RIVERSIDE PUBLIC UTILITIES ELECTRIC RATE TRENDS STUDY

ISSUE:

Consider receiving an update and providing feedback on Riverside Public Utilities' Electric Rate Trends Study.

RECOMMENDATION:

That the Customer Relations/Finance Committee receive an update and provide feedback on Riverside Public Utilities' Electric Rate Trends Study.

BACKGROUND:

On September 27, 2021, the Board of Public Utilities approved the agreement with NewGen Strategies and Solutions, LLC. (NewGen) to complete a cost-of-service analysis and rate design project for financial planning purposes, as well as to design future rate adjustments beyond the current electric utility five-year rate plan with the final year rate adjustment effective January 1, 2023. After completing the draft Riverside Public Utilities (RPU) Self-Generation Program Review, NewGen and RPU staff began the Cost of Service Analysis and Electric Rate Trends Study phases of the project.

DISCUSSION:

The purpose of the Electric Rate Trends Study (Study) phase within the Electric Cost of Service Analysis and Rate Design Project is to evaluate and analyze different rate structures in the electric utility industry and how they could influence, impact, or apply to RPU currently and in the future. The different rate structures and industry concepts researched include emerging technologies and their future implications, electricity pricing, customer classification, and new customer choices, among others. The Study includes current rate offerings from investor-owned utilities (IOUs) and various municipal utilities with similar attributes to RPU. The use of multiple IOUs and municipal utilities is intended to best inform RPU of the different rate trends and rate structures in the California area and in the broader United States.

The goal of this Study is to help RPU develop rates that are both cost of service based and a reflection of the industry. With the cost of service results and the knowledge gained from this Study, RPU will be in the best position to design electric rates with the future of the utility and industry in mind.

The Study includes the following sections:

- Section 2 General Rate Making Principles - An overview of general rate making principles including RPU's rate making principles and alignment with the City Council's Envision Riverside 2025 Strategic Plan Cross-Cutting Thread themes.
- Section 3 Electric Rate Alternatives - Discusses various electric rate alternatives based on recent and emerging trends in the electric utility industry. The section highlights various summary rate matrices showing the rate structures of the utilities researched; their advantages and disadvantages; rankings of the alternative rates; and short-, mid-, and long-term considerations.
- Section 4 General Recommendations - Summary of general recommendations.
- Section 5 General Implementation Considerations - Discusses implementation considerations such as customer acceptance, usage patterns, technology, and costs and benefits.

Highlights of the general recommendations from the Study include:

1. RPU should continue its current practices, monitoring and updating its rate structure as necessary based on cost of service (COS) analyses, regarding seasonal rates, economic development rates, stand-by charge, and time of use (TOU) rates.
2. RPU should continue its current practices regarding domestic electric vehicle (EV) charging rates and implement EV charging rates for commercial customers and public charging stations while also monitoring other utilities' practices and the applicable regulations and mandates of local, state, and federal regulatory bodies.
3. RPU should continue using fixed cost recovery mechanisms like reliability charges and network access charges. RPU should continue analysis of these cost recovery mechanisms to ensure they are in line with COS results.
4. RPU should continue its plan to close the current net energy metering program and to implement the proposed self-generation program and continue to offer the feed-in tariff while also analyzing customer acceptance and customer knowledge of these types of rates. RPU should consider educating customers regarding the details and differences of the rates. As these rates are analyzed and modified as necessary, RPU should investigate potential aggregated self-generation programs consistent with potential state mandates.
5. RPU should not implement residential demand charges, real-time pricing rates, or critical peak pricing rates at this time, but should monitor other utilities' practices with regard to these rate alternatives.
6. RPU should not implement cost adjustment such as power cost adjustment, regulatory adjustment, or decoupling at this time but should monitor exposure to fluctuations in power costs, increasing regulatory costs, and other utilities' practices with regard to these rate alternatives. It is also recommended that RPU discontinue the current obsolete power cost adjustment factor due to the structure being out of date and not implemented for many years.

7. RPU should consider collapsing tiered rates with the goal of eventually transitioning out of tiered rates into entirely TOU rates for the domestic and small and medium commercial classes.
8. RPU should explore a small domestic rate for individually metered building units to charge customers more equitably for their costs.

The Electric Cost of Service and Rate Design Project includes five overall phases. NewGen was first tasked with Phase V Self-Generation Program Review. The draft Self-Generation Program Review report is included with the proposed Self-Generation Program being considered by City Council on Tuesday, May 10, 2022. NewGen was then tasked with Phase I Cost of Service Analysis and Phase II Electric Rate Trends Study. The results of the Electric Rate Trends Study will guide the Phase III Rate Design Recommendation and supporting Phase IV Customer Impact Rate Design Model which will begin after the completion of the Phase I Cost of Service Analysis.

Electric Cost-Of-Service and Rate Design Project	Status
Phases I - Cost of Service Analysis	Underway
Phases II - Electric Rate Trends Study	Draft
Phases III - Rate Design Recommendation	Following Phase I and II
Phase IV - Customer Impact Rate Design Model	With Phase III, Following Phase I and II
Phase V - Self-Generation Program Review	Draft

STRATEGIC PLAN ALIGNMENT:

This is a phase of the Electric Cost of Service Analysis and Rate Design Project and 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 Cost of Service Analysis and Rate Design Project is transparent and developed with our customers' and the community's wellbeing as a top priority.
2. **Equity** – The Electric Cost of Service Analysis and Rate Design Project includes an equitable allocation of costs among customer classes which is incorporated into the resulting rate design recommendation.
3. **Fiscal Responsibility** – The Electric Cost of Service Analysis and Rate Design Project incorporates a forecasted revenue requirement that includes operating and capital expenditures funded by the prudent use of rate revenue, bond proceeds, and reserves.
4. **Innovation** – The Electric Cost of Service Analysis and Rate Design Project includes the Electric Utility Rate Trend Study that evaluates emerging rate structures, technologies, and trends and how they may apply or be implemented by RPU.

5. **Sustainability & Resiliency** – The Electric Cost of Service Analysis and Rate Design Project will design future rates for a five-year period to equitably recover costs while maintaining the financial health of RPU.

FISCAL IMPACT:

There is no fiscal impact associated with this report.

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Attachments:

1. NewGen Strategies and Solutions, LLC Draft Electric Rate Trends Study
2. Presentation