



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: NOVEMBER 28, 2022

SUBJECT: ELECTRIC AND WATER UTILITY RATE PLAN UPDATE FOR THE RESULTS OF FISCAL YEAR 2021-22

ISSUE:

Consider receiving the annual electric and water utility rate plan update for the results of Fiscal Year 2021-22.

RECOMMENDATION:

That the Board of Public Utilities receive the annual electric and water utility rate plan update for the results of Fiscal Year 2021-22.

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. The Board has the authority to adopt 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 14, 2018, the Board of Public Utilities (Board) conducted a public hearing to receive public input related to the water and electric utility five-year rate proposal. With all members present, the Board unanimously recommended that the City Council approve the 2018-2023 Electric and Water Rules and Rates.

On May 22, 2018, the City Council approved the proposed utility rates 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 Fiscal Year (FY) 2020-21 on December 13, 2021, and December 14, 2021.

DISCUSSION:

The five-year annual rate plan is listed below. The third year of the electric rate plan became effective on July 1, 2021.

		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%

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.

Final FY 2021-22 financial information and results of the annual audit will be presented to the Board in January 2023 with the Riverside Public Utilities 2022 Financial Report.

Electric Fund

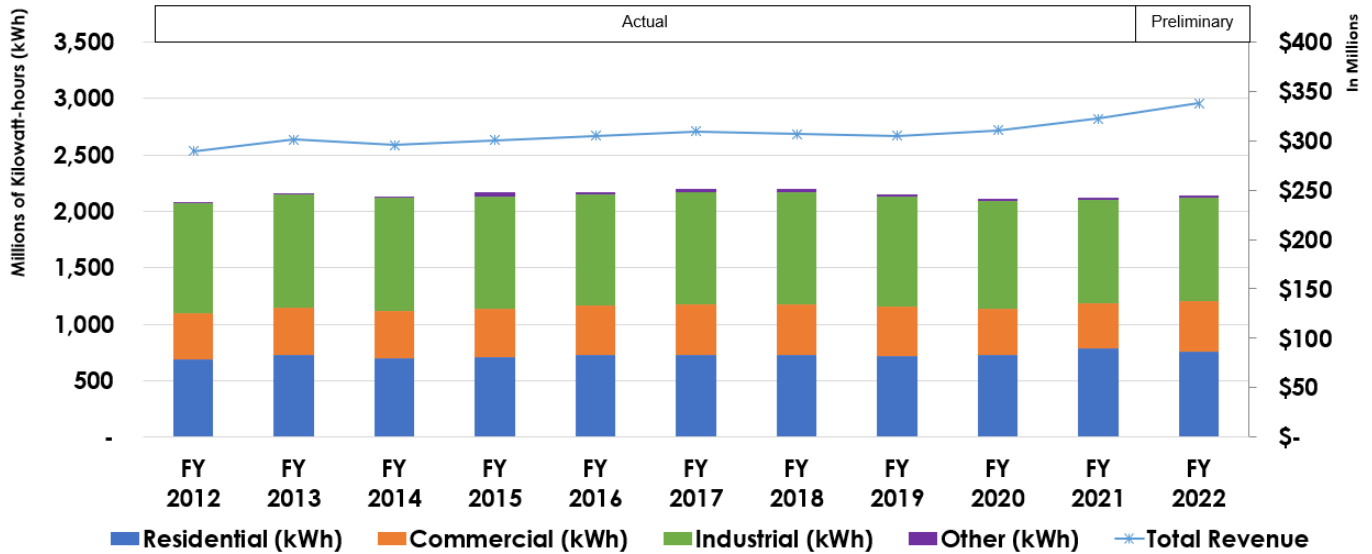
The Electric Utility maintains and operates 99 circuit miles of transmission lines, 1,351 circuit miles of distribution lines, 16 substations, and three generating plants totaling 270 megawatts. Charges for service through rates are the primary source of funding for operations and fund a portion of the 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 2021-22, the average residential customer experienced a \$3.22 increase effective July 1, 2021, due to the delay of the third year of the rate plan and a \$3.72 increase effective January 1, 2022. During FY 2022-23, customer will experience a \$3.75 increase in their monthly bill with the fifth year of the rate plan effective January 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.

Preliminary Electric Utility Revenues:

The table below provides a historical view of energy consumption, which illustrates a 1.0% increase in FY 2021-22 from the previous year. FY 2021-22 includes the impacts of the Local Emergency due to COVID-19 which saw a decrease in residential consumption offset by an increase in commercial and industrial consumption due to the lifting of COVID-19 restrictions. The increase in FY 2021-22 retail sales from prior year of 4.8% includes the impacts of the delayed third year of the electric rate plan effective July 1, 2021, the scheduled fourth year rate plan

adjustment effective January 1, 2022, and increased energy consumption.



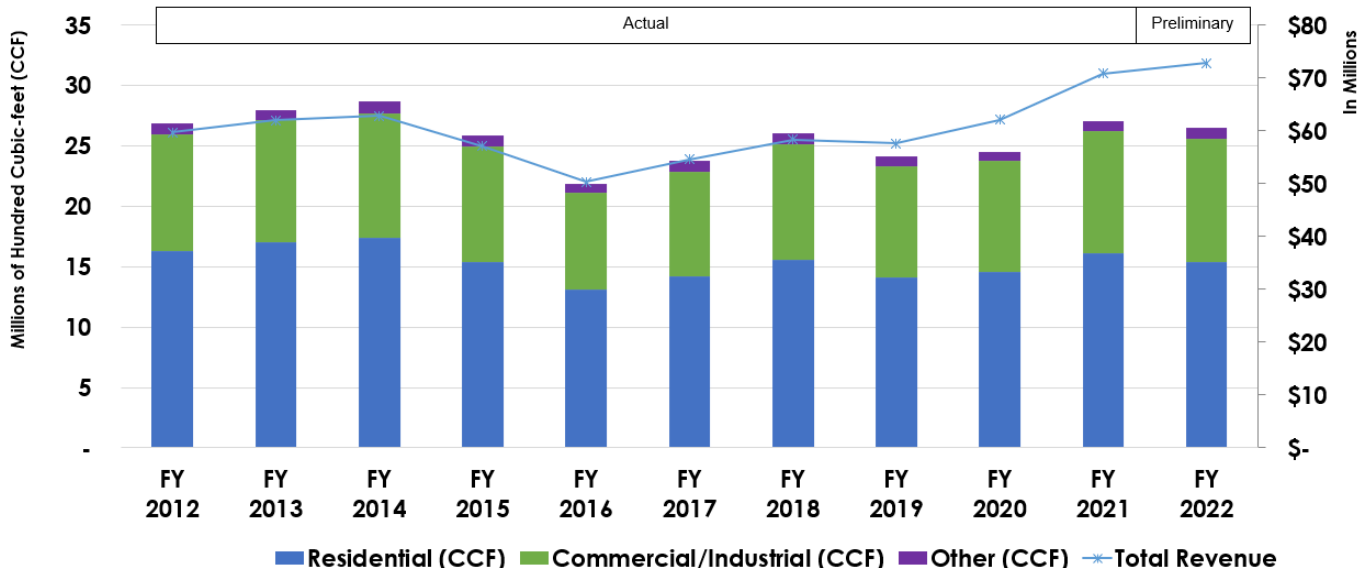
Water Fund

The Water Utility maintains and operates 991 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 by a combination of bond proceeds, 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 2021-22, the average residential customer experienced a \$3.45 increase in their monthly bill. For FY 2022-23, the average residential customer experienced a \$4.07 increase in their monthly bill with the fifth year of the rate plan effective July 1, 2022. 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.

Preliminary Water Utility Revenues:

The table below provides a historical view of water sales, which illustrates a 2.1% decrease in water usage for FY 2021-22 from the previous year. Weather significantly impacts retail sales for the utility and during the FY 2018-19 and 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. The increase in retail sales from prior year of 2.9% is due to the impacts of the scheduled fourth year rate plan adjustment effective July 1, 2021.



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.

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Certifies availability of funds: Edward Enriquez, Interim Assistant City Manager/Chief Financial Officer/City Treasurer

Attachment: Presentation