RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES **DATE: DECEMBER 8, 2025**

SUBJECT: ELECTRIC AND WATER UTILITY RATE PLAN UPDATE FOR THE RESULTS OF FISCAL YEAR 2024-25

ISSUE:

Consider receiving the annual electric and water utility rate plan update for the results of Fiscal Year 2024-25.

RECOMMENDATION:

That the Board of Public Utilities recommend the City Council receive the annual electric and water utility rate plan update for the results of Fiscal Year 2024-25.

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 114,000 metered electric customers and approximately 67,000 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 August 28, 2023, the Board of Public Utilities (Board) conducted a public hearing to receive public input related to the electric and water utility five-year rate proposals. With one board member absent, the Board recommended that the City Council approve the 2023-2028 Electric and Water Rates.

On September 19, 2023, the City Council approved the electric and water utility rate plans with water rate increases effective October 1, 2023, and electric rate increases effective January 1, 2024.

The Board and City Council received the annual electric and water utility rate plan update for FY 2023-24 on February 24, 2025, and March 11, 2025.

DISCUSSION:

Final FY 2024-25 financial information and results of the annual audit will be presented to the Board in January 2026, with the Riverside Public Utilities 2025 Financial Report. The five-year annual rate plan is shown below.

	Years 1-5	
Electric	January 2024	7.0%
	January 2025	7.0%
	January 2026	7.0%
	January 2027	2.0%
	January 2028	2.0%
Water	October 2023	6.5%
	July 2024	6.5%
	July 2025	6.5%
	July 2026	6.5%
	July 2027	6.5%

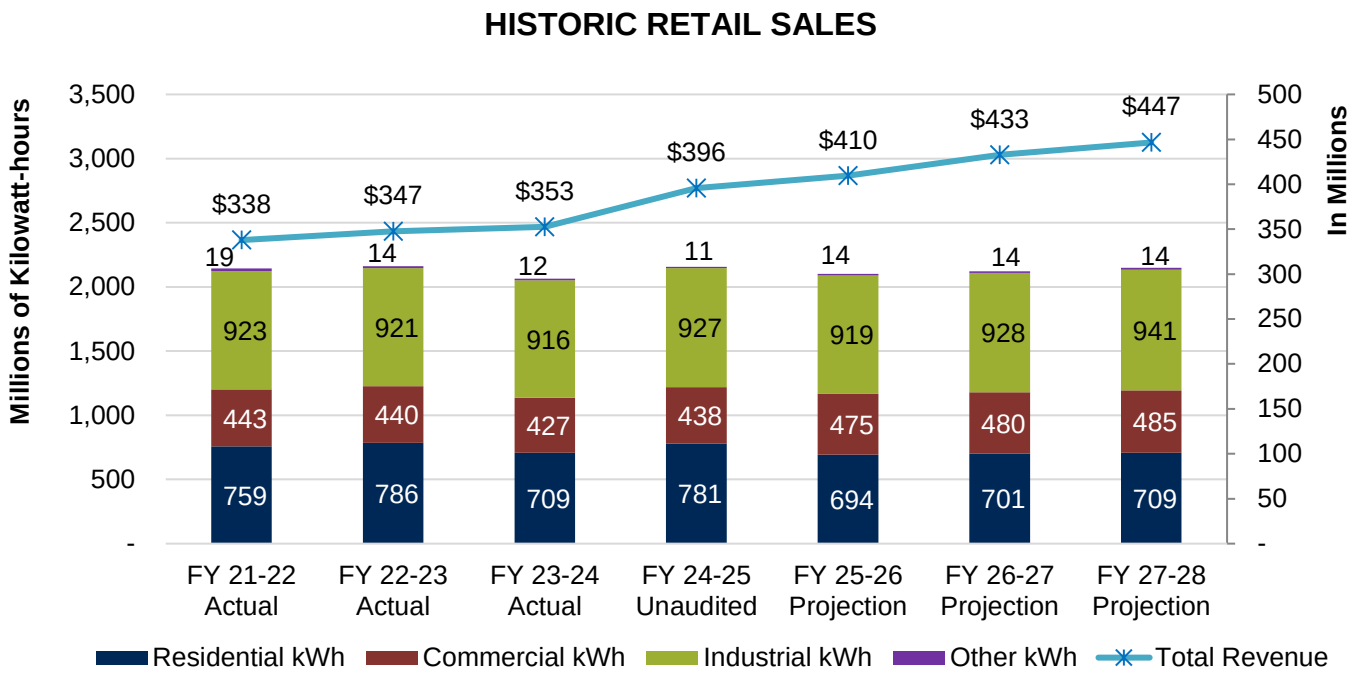
Based on system average, rate increases vary by customer class and consumption levels.

Electric Fund

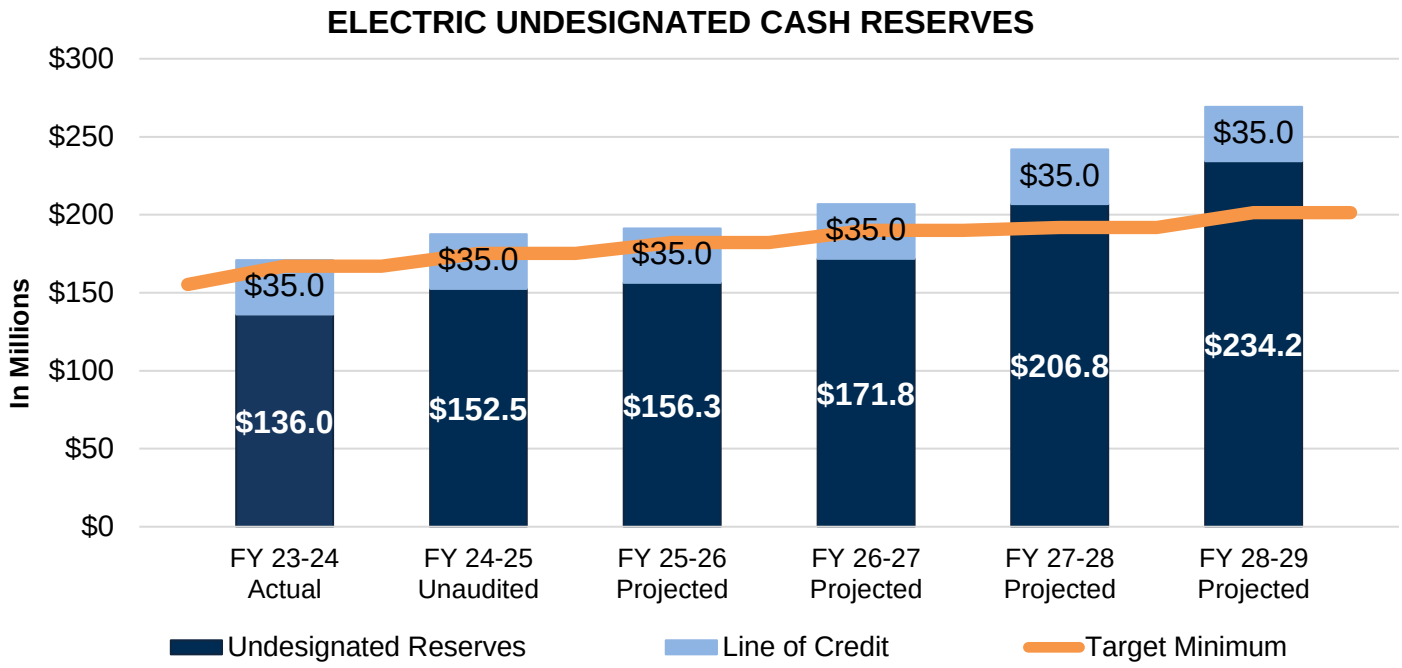
The Electric Utility maintains and operates 99 circuit miles of transmission lines, 1,383 circuit miles of distribution lines, 16 substations, and three (3) generating plants that can generate a total of 262 megawatts. Charges for service through rates are the primary source of funding for operations and 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.

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 2024-25, the average residential customer experienced an $8.58 increase in their monthly bill with the second year of the new rate plan effective January 1, 2025. For FY 2025-26, the average residential customer will experience a $9.25 increase in their monthly bill with the third year of the new rate plan effective January 1, 2026. 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.

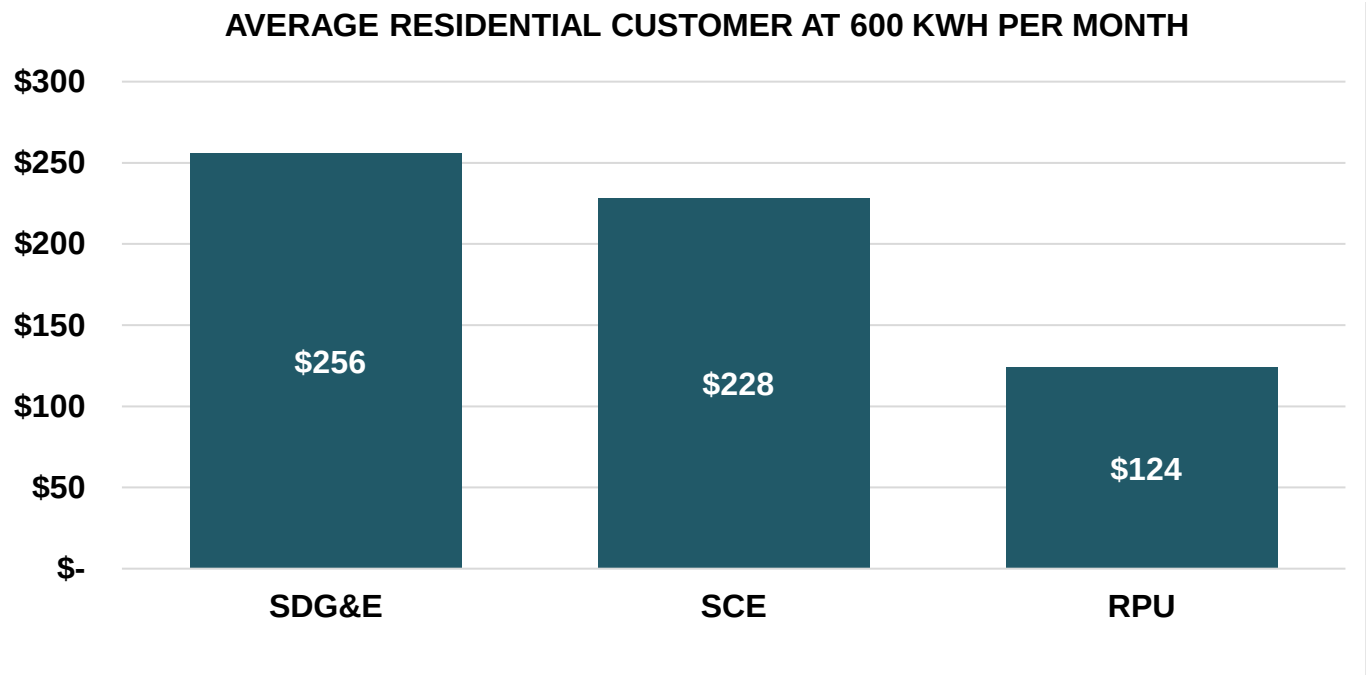
Preliminary Electric Utility Revenues:
The chart below provides an historical view of energy consumption, which illustrates a 4.5% increase in FY 2024-25 from the previous year. FY 2024-25 includes the scheduled second year rate plan adjustment effective January 1, 2025. The increase in retail sales from the previous year of 12.2% is due to the impacts of the second-year rate plan adjustment effective January 1, 2025, increased energy consumption, and an accounts receivable year-end adjustment of $11 million.



The fiscal impact of the Electric rate plan for the undesignated cash reserve balance, in conjunction with the line of credit, is included in the chart below. In compliance with the RPU Cash Reserve Policy, undesignated cash reserves in conjunction with the line of credit are projected to maintain target minimum reserve levels.



The following table is an example of a typical RPU residential customer's monthly electric bill reflecting rates as of October 1, 2025 as compared to Southern California Edison and San Diego Gas and Electric for the same time.



Water Fund

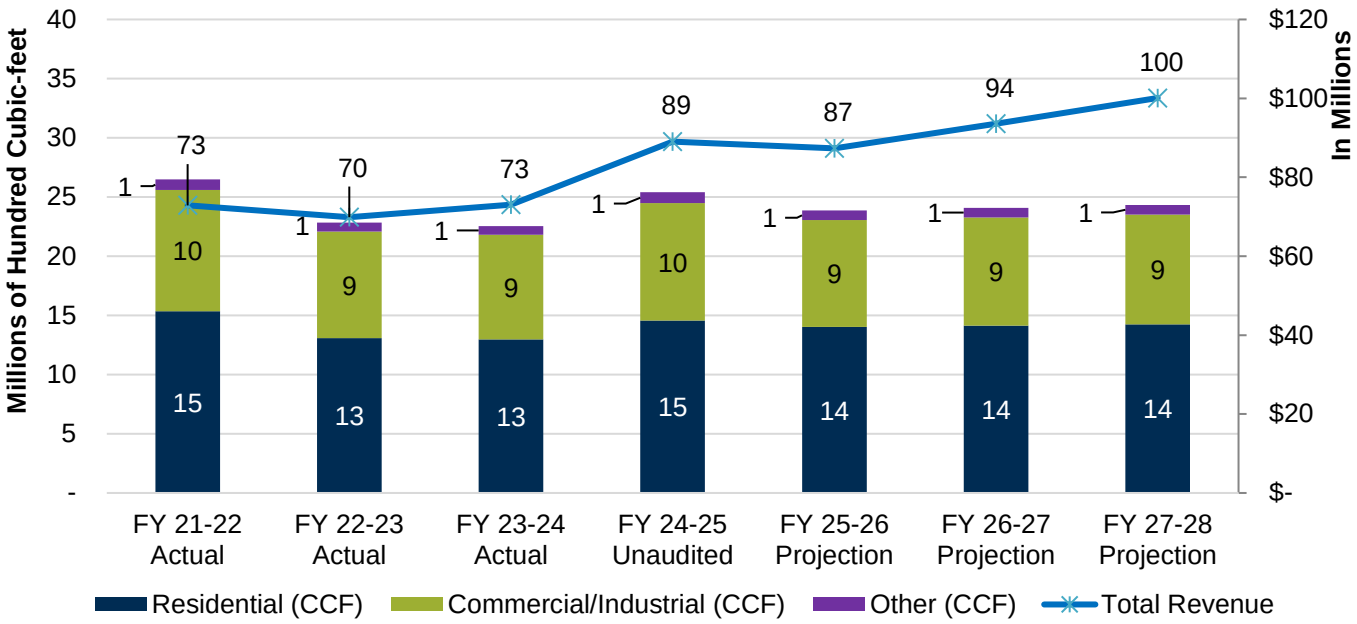
The Water Utility maintains and operates 998 miles of pipeline, 56 wells, 16 active reservoirs, and six (6) treatment plants. Charges for service through rates are the primary source of funding for operations and also fund a portion of the capital improvement program. The capital improvement program is funded by a combination of bond proceeds, rates, reserves, and developer fees.

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 2024-25, the average residential customer will experience a $3.93 increase in their monthly bill with the second year of the new rate plan effective July 1, 2024. For FY 2025-26, the average residential customer will experience a $4.14 increase in their monthly bill with the third year of the new rate plan effective July 1, 2025. 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:

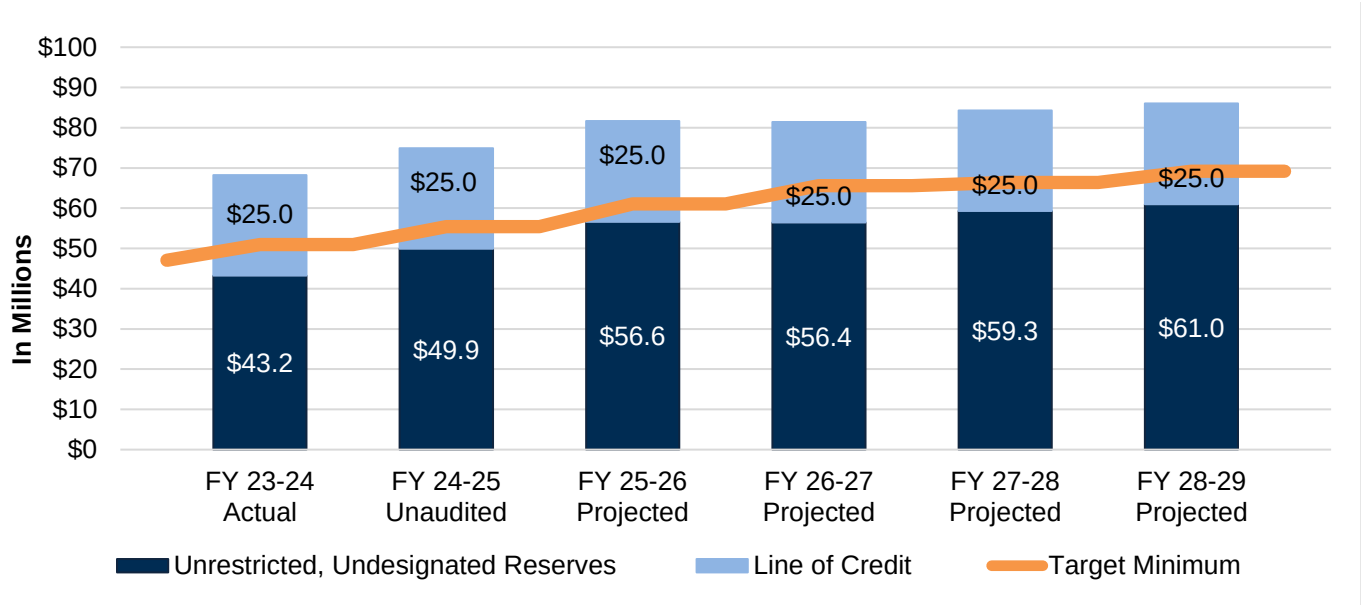
The table below provides an historical view of water sales, which illustrates a 12.7% increase in water usage for FY 2024-25 from the previous year. Weather significantly impacts retail sales for the utility and during FY 2020-21, FY 2021-22 and FY 2024-25, Riverside experienced below average precipitation that increased the overall demand for water. FY 2022-23 and FY 2023-24 experienced above average precipitation that decreased the overall demand for water. FY 2024-25 includes the second-year rate plan adjustment effective July 1, 2024. The increase in retail sales from the previous year of 21.9% is due to the impacts of the second-year rate plan adjustment effective July 1, 2024, increased consumption, and an accounts receivable year-end adjustment of $3 million.

HISTORIC RETAIL SALES

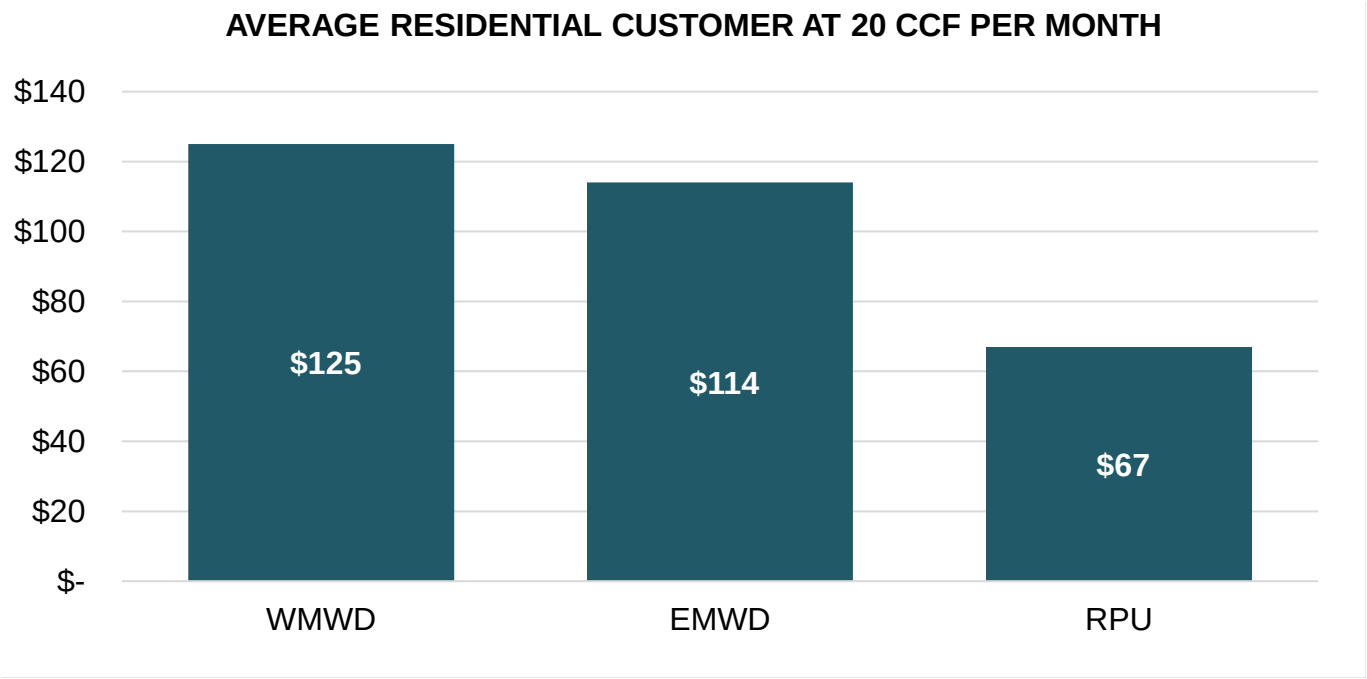


The fiscal impact of the Water rate plan for the undesignated cash reserve balance, in conjunction with the line of credit, is included in the chart below. In compliance with the RPU Cash Reserve Policy, undesignated cash reserves in conjunction with the line of credit are projected to maintain target minimum reserve levels.

WATER UNDESIGNATED CASH RESERVES



The following table is an example of a typical RPU residential customer's monthly water bill reflecting rates as of July 1, 2025, as compared to Western Municipal Water District and Eastern Municipal Water District for the same time period.



Unfunded Future Costs

RPU is aware of mandates and initiatives that will have significant impact to the Electric and Water Utilities and will most likely result in future cost increases. Due to the uncertainty of the timing and requirements of the mandates along with costs being unknown, these costs were not included in the current Electric and Water 5-year rate plans. RPU is monitoring ongoing developments and will continue to develop and refine impacts, cost estimates, and funding scenarios. As additional information becomes available, RPU staff will return to the Board and City Council. Unfunded future costs include:

- Electrification and Distribution System Upgrades
  - Clean Fleet Rules - Zero emission vehicle purchases
  - Distribution System Upgrades – Internal operations and to support community
- Water Treatment to meet Per- and polyfluoroalkyl substances (PFAS) regulations
- Aging infrastructure continues to be challenging
- Water pipeline replacement
  - Lifecycle 130 years to industry standard 75 years

FISCAL IMPACT:

There is no fiscal impact associated with receiving this annual electric and water utility rate plan update.

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Approved as to form:	Rebecca McKee-Reimbold, Interim City Attorney

Attachment: Presentation