



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: FEBRUARY 13, 2017

ITEM NO: 5

SUBJECT: 2017 ANNUAL INTEREST RATE OF 0.02% TO BE PAID ON CUSTOMER DEPOSITS

ISSUE:

Approve the 2017 annual interest rate of 0.02% to be paid on customer deposits, as provided by Riverside Public Utilities' Electric and Water Rules.

RECOMMENDATION:

That the Board of Public Utilities approve the annual interest rate of 0.02% for customer deposits.

BACKGROUND:

Deposits are collected from customers who wish to establish service and do not have a good credit history, or from customers who have been disconnected and want service to be reconnected. Approximately 18% of the Utility's customers fit this category, with combined deposits totaling \$4.6 million. Currently, 48% of that total represents commercial customers.

The minimum residential deposit is \$100 for electric and \$40 for water service. Commercial customers are charged a deposit equal to two month's service for the location. Interest is applied monthly to the deposits received. Deposits are held for one year or upon termination of services. If the customer account is in good standing, the deposit, plus interest, is applied to the customer's account to offset any outstanding balance or refunded to the customer if no balance is due. Electric and Water Rules 4 require the Board of Public Utilities to annually establish the interest rate for the held deposits.

DISCUSSION:

The methodology used to determine the amount of interest to accrue monthly is based on an average of local banks' passbook rates. The rate calculated for 2017 is 0.02%. The investment of funds on deposit must be short-term and highly liquid. The calculation is performed annually and is reflective of current market conditions.

FISCAL IMPACT:

There is no fiscal impact associated with setting the interest rate paid to customer deposits.

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