



Electric and Water Utility 5-Year Rate Proposal FY 2018 – 2022 and Proposal for Annual CPI Escalator for FY 2023-2027

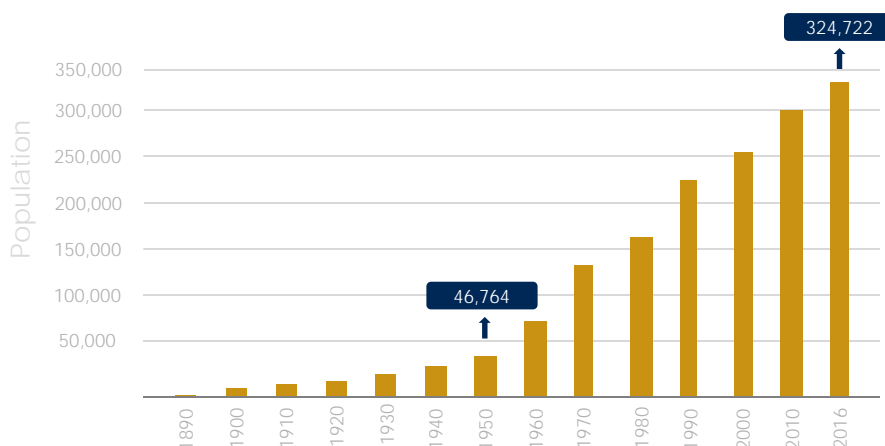
City Council
September 26, 2017

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1

Population Growth



Sources: American Fact Finder/Census.gov and State of California, Department of Finance

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2

A City – A System of Systems



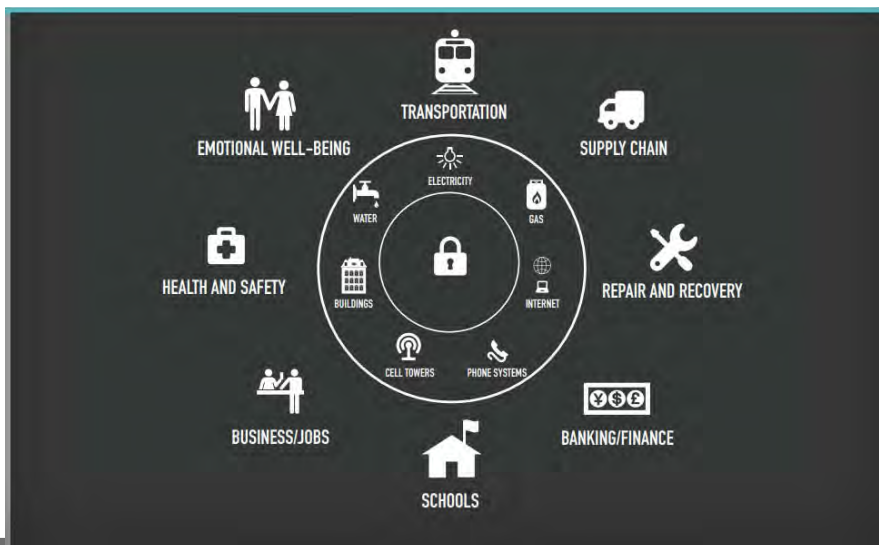
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Necessary Systems



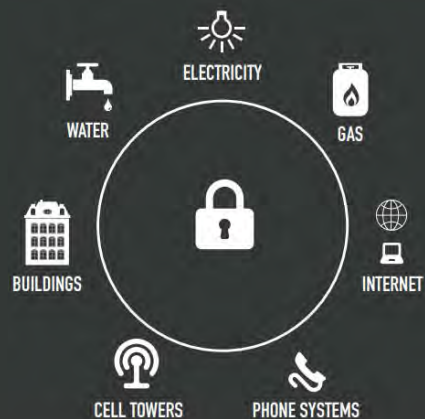
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Critical Infrastructure Is Connected



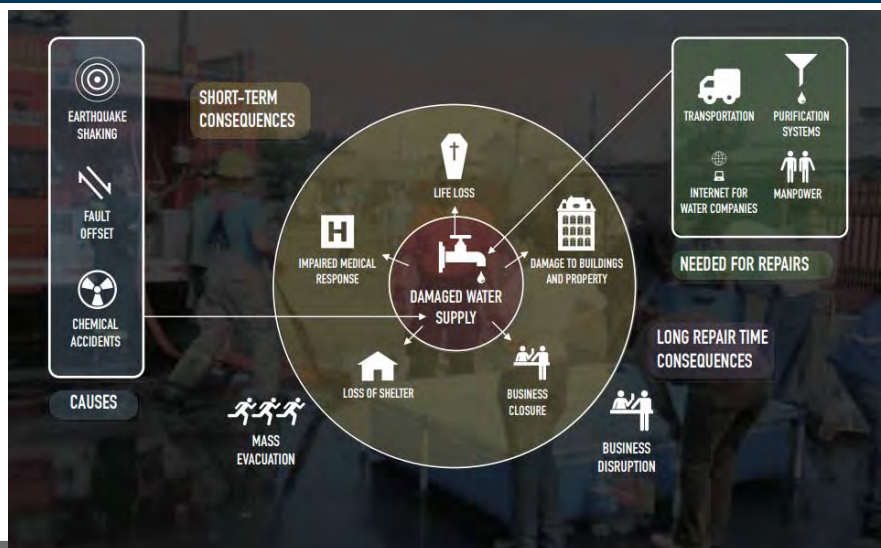
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Damaged Water Supply



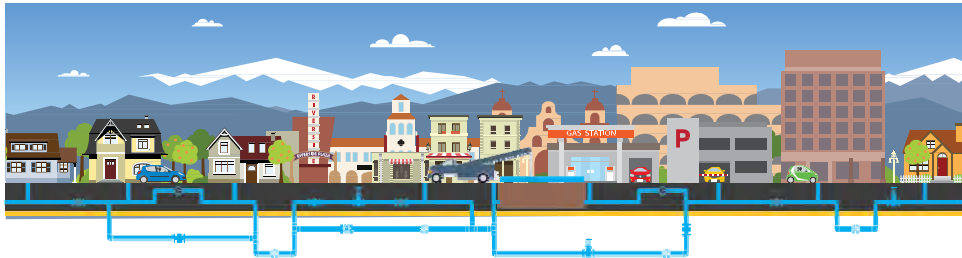
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Water-Energy-Life




WATER – ENERGY – LIFE

Utility 2.0 – Planning For Our Future

10-Year Infrastructure Plan

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10-Year Infrastructure Outlook

ASCE Grading Scale

- A** **Exceptional** – Fit for the Future
- B** **Good** – Adequate for Now
- C** **Mediocre** – Requires Attention
- D** **Poor** – At Risk
- F** **Failing/Critical** – Unfit for Purpose



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10-Year Infrastructure Outlook

ASCE Grading Scale

- A** **Exceptional** – Fit for the Future
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- D** **Poor** – At Risk
- F** **Failing/Critical** – Unfit for Purpose

**Riverside's
Current
Grade**



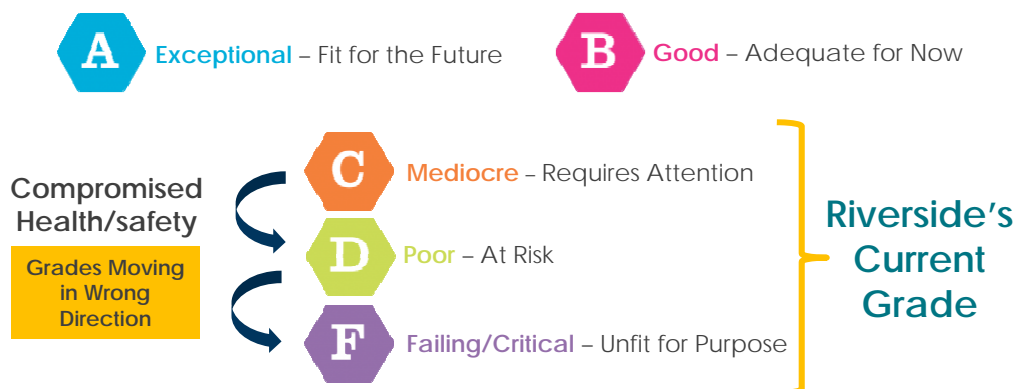
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10-Year Infrastructure Outlook

Without Accelerating Repair and Replacement

ASCE Grading Scale



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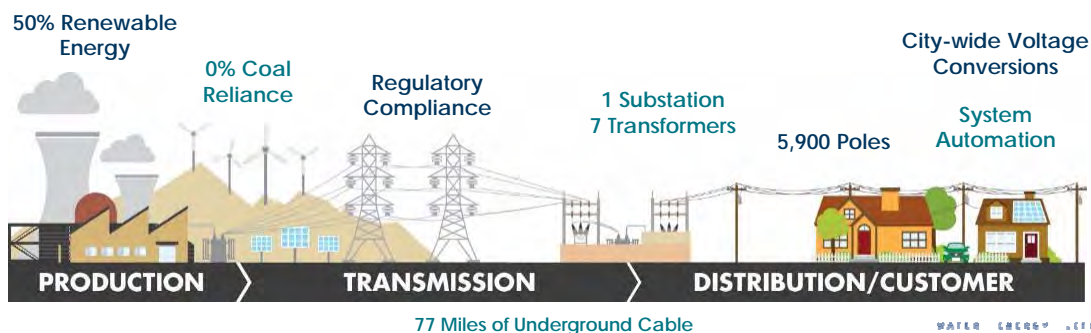


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Electric System

Moving to a **B** Good – Adequate for Now

5 Year Costs: \$ 335 Million



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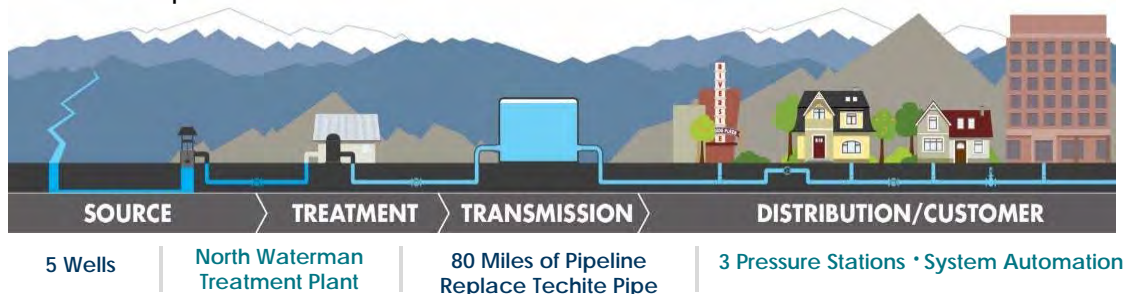
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Water System

Moving to a **B** Good – Adequate for Now

5 Year Costs: \$ 171 Million

Recycled Water
Storm Water Capture



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7 Years Without a Rate Increase



7 Years

since the last
water increase (2010)



7 Years

since the last
electric increase (2010)



Renewable Power Requirements
Increased from

20% to 50%

since the last rate plan



Five-year California Drought
(2011-2016)

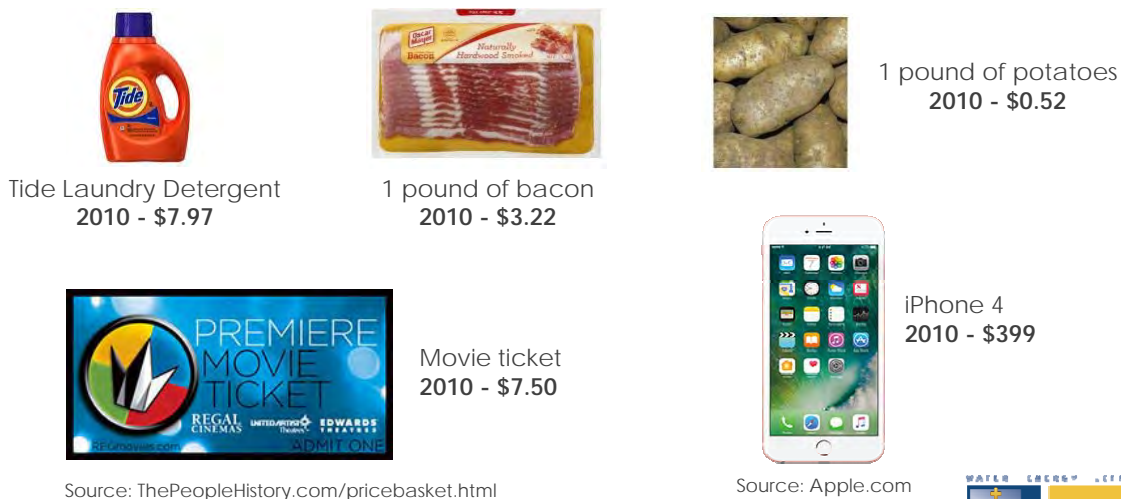
Hottest and Driest in
Instrumental Record
since the late 1800s

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The Cost of Average Household Items in 2010



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Cost Increase ↑ of Average Household Items



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Cost Increase for RPU since 2010



RPU Electric
\$0.10/kWh
(2010)



RPU Water
\$1.14/ccf
(2010)



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Cost Increase for RPU since 2010



RPU Electric
\$0.10/kWh
(2016)
\$0.10/kWh (2010)



0%



RPU Water
\$1.14/ccf
(2016)
\$1.14/ccf (2010)

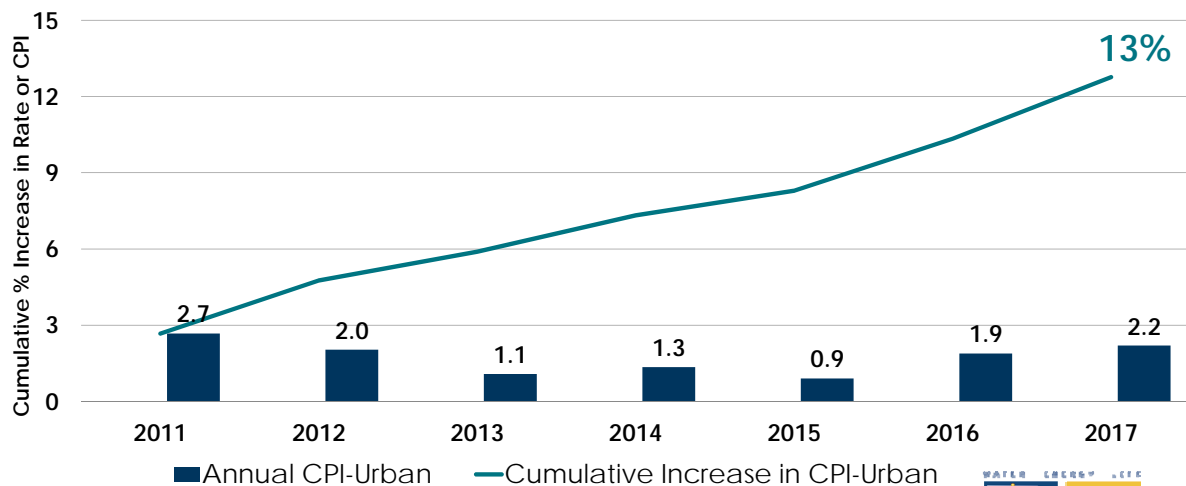


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Urban CPI Over the Last 7 Years

Cumulative Increase is 13%



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Average Rate Change

Proposed Electric Rates		
Year	Fiscal Year	% Change
1	17/18	5.00%
2	18/19	5.00%
3	19/20	5.00%
4	20/21	5.00%
5	21/22	4.00%
6	22/23	CPI
7	23/24	CPI
8	24/25	CPI
9	25/26	CPI
10	26/27	CPI
	5 Year Avg	4.80%

Proposed Water Rates		
Year	Fiscal Year	% Change
1	17/18	8.75%
2	18/19	8.50%
3	19/20	8.50%
4	20/21	8.50%
5	21/22	8.50%
6	22/23	CPI
7	23/24	CPI
8	24/25	CPI
9	25/26	CPI
10	26/27	CPI
	5 Year Avg	8.55%

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Residential Average Monthly Bill Increase for Each of the Next 5 Years

Residential 5 year Average Annual Price Change	Low-Use 355 kWh 12 CCF	Typical-Use 592 kWh 19 CCF	High-Use 1400 kWh 29 CCF
Electric	\$3.11 (5%)	\$5.18 (5%)	\$11.56 (4%)
Water	\$4.05 (12%)	\$4.56 (10%)	\$6.48 (8%)
Average Combined	\$7.15 (7%)	\$9.74 (7%)	\$18.05 (5%)

Includes Public Benefits Charge and Water Conservation Surcharge

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Commercial Average Monthly Bill Increase for Each of the Next 5 Years

Commercial 5 year Average Annual Price Change	Small 500 kWh 10 CCF	Medium 2400 kWh 37 CCF	Large 8000 kWh 119 CCF
Electric	\$3.70 (3%)	\$17.32 (4%)	\$40.92 (3%)
Water	\$4.24 (12%)	\$7.90 (8%)	\$23.57 (8%)
Average Combined	\$7.94 (5%)	\$25.22 (5%)	\$64.49 (4%)

Includes Public Benefits Charge and Water Conservation Surcharge

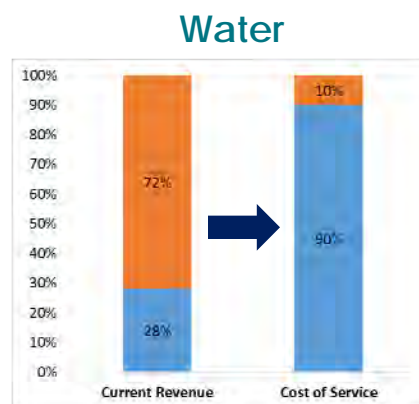
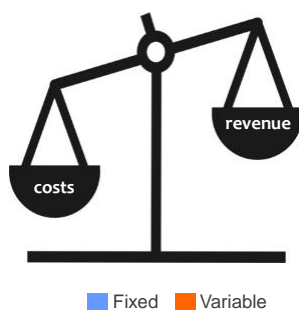
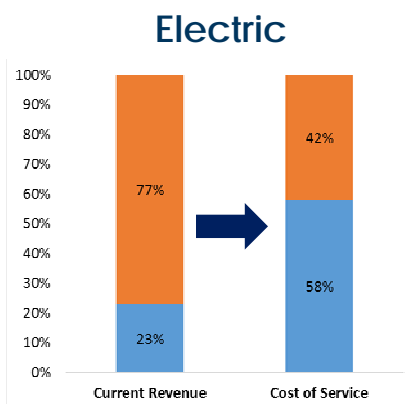
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Utility Cost Structure is Imbalanced

Cost is mostly fixed, revenue is mostly variable



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Current Competitive Advantages Remain "Business Friendly"



Low residential and commercial utility rates



Large industrial customers rates as low as 10% lower than SCE



New and lower restructured Reliability Charge for small industrial TOU customers



Economic Development Rate incentives to encourage business expansion and attraction



New and lower High Voltage Rate



New Green Power Rate

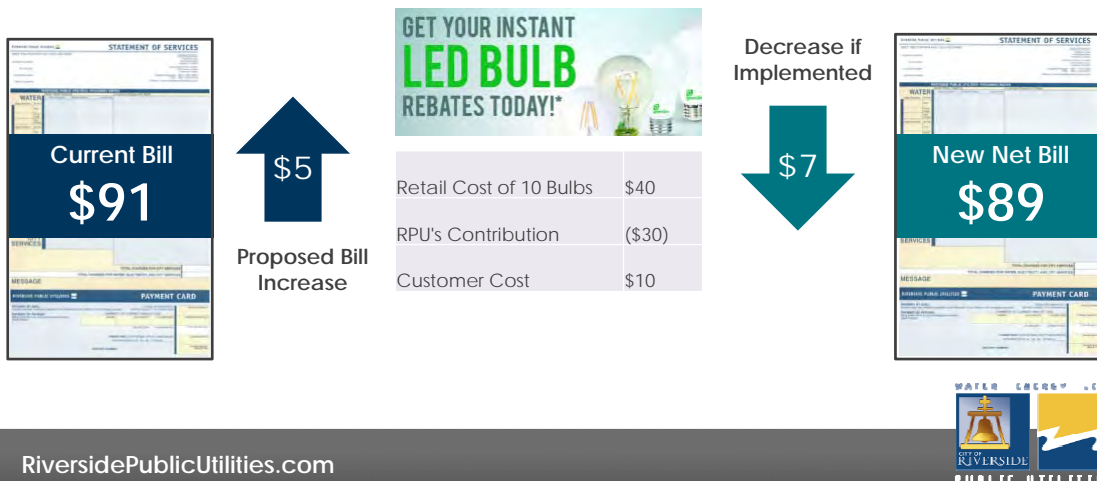
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Ways We Can Help You Save

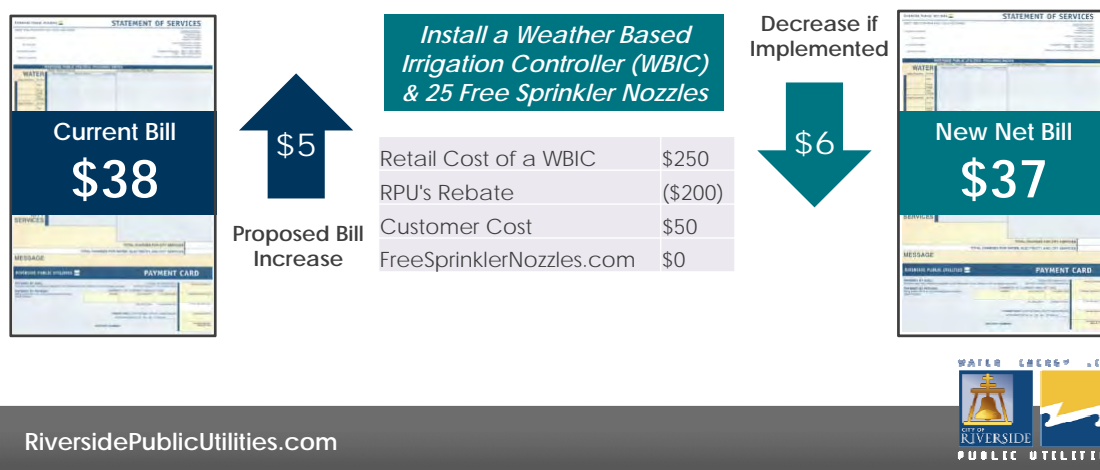
Typical Residential Monthly Electric Bill:



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Ways We Can Help You Save

Typical Residential Monthly Water Bill:



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RPU offers more than 40 rebates to help you save!

Energy Star Ceiling Fan
RPU Rebate
 Net cost

\$150
 (\$50)
 \$100



Energy Star TV
RPU Rebate
 Net cost

\$300
 (\$150)
 \$150



Solar Attic Fan
RPU Rebate
 Net cost

\$300
 (\$100)
 \$200



For information:
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Or call



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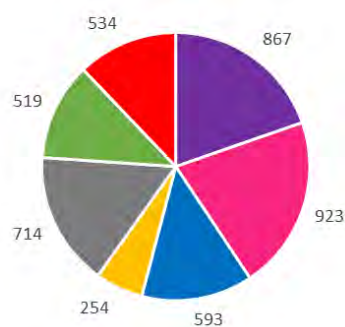
Low Income Assistance in All Wards

SHARE Participation Citywide	
Ward 1	867
Ward 2	923
Ward 3	593
Ward 4	254
Ward 5	714
Ward 6	519
Ward 7	534
Total	4404

* Total between 7/18/2016 and 7/17/2017

SHARE Participation Citywide
 Total = 4,404

- Ward 1
- Ward 2
- Ward 3
- Ward 4
- Ward 5
- Ward 6
- Ward 7



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Proposed Low Income Electric Programs

1. Energy Savings Assistance Program:

Include additional direct installation measures for energy efficiency

2. Affordable Solar Energy for Riverside:

Increase PV rebate amount per kW

3. Rebates:

Increase Energy Star rebates for SHARE eligible customers



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Proposed Low Income Electric Programs

4. Customer Engagement Program:

Enroll SHARE customers to receive customized home energy reports

5. LED Program:

Direct mail LED bulbs to each SHARE customer

6. Increase marketing and promotion for Low Income programs



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Proposed Low Income Water Programs

1. Energy Savings Assistance Program:

Include additional direct installation measures for water efficiency

- a. High Efficiency Toilets, Shower Heads and Faucet Aerators
- b. Indoor / Outdoor Water Audit



2. Increase marketing and promotion for Low Income programs

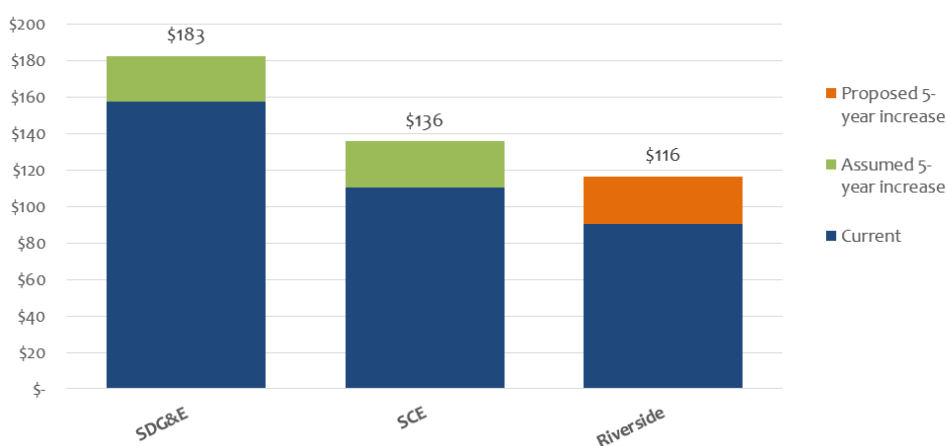


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Proposed Electric Rate Remains Competitive

Proposed average residential rate for 592 kWh per month



SCE- 2018 to 2020 General Rate Case Papers ; 2021-2022 (average of 2018 to 2020); SDG&E- Assumed 3% per year

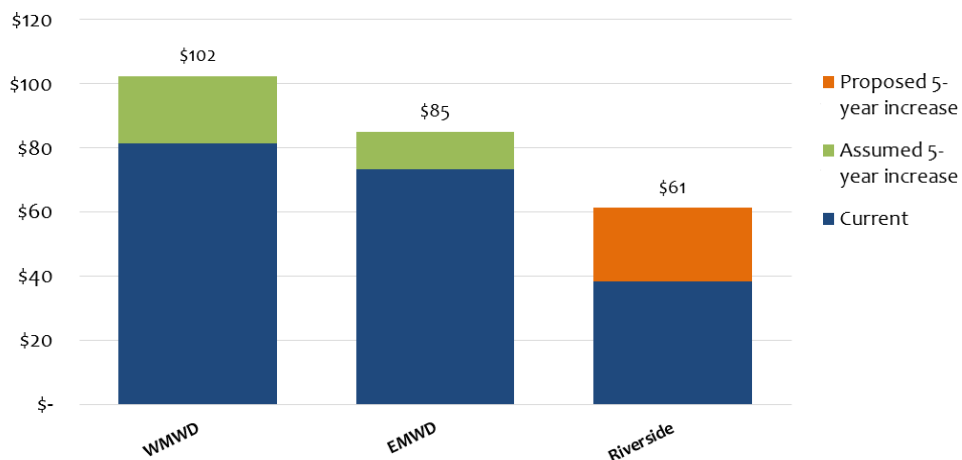


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Proposed Water Rate Remains Competitive

Proposed average residential rate for 19 CCF per month



Includes WMWD proposed 5.5% January 1, 2018, 2019, 2020, followed by 3% increases in 2021 and 2022; EMWD includes assumed 3% rate increases.

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Revenues From Other Sources

1. **Excess Renewable Energy Sales, to be realized in upcoming years**

\$3-5 million/year

2. **Adding PV Solar to well sites and lowering Edison electric cost**

\$800,000/year



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Revenues From Other Sources

3. Transmission revenues from California Independent System Operator

\$36 - \$40 million/year over next 5 years; helps offset transmission access costs

4. Cap-and-Trade Revenues

\$18 million from 2013 to date; \$15 million next 3 years

5. Selling Scheduling Coordinator Services to cities of Banning and Rancho Cucamonga

\$750,000/year



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Revenues From Other Sources

6. \$85 million Line of Credit

reduces the amount of cash reserves we have to maintain and lowers rate

7. Western Wheeling and Excess Commodity Agreement

\$100 million over 20 years

8. 55-year lease with Hillwood

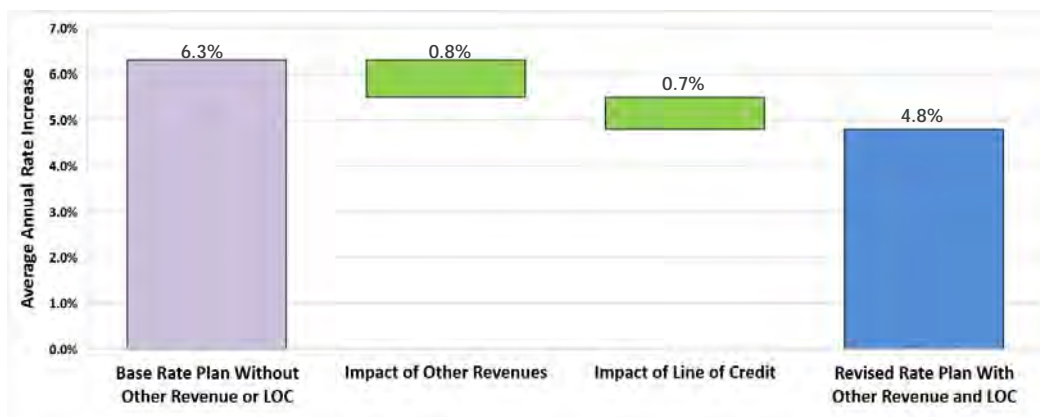
potential for \$45 million



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Electric Rates Lowered From 6.3% to 4.8%

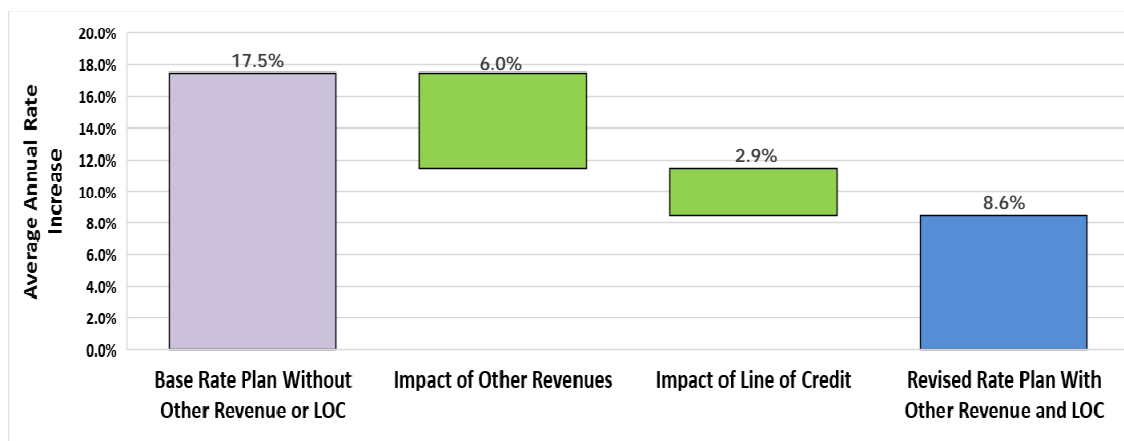


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Water Rates Lowered From 17.5% to 8.6%



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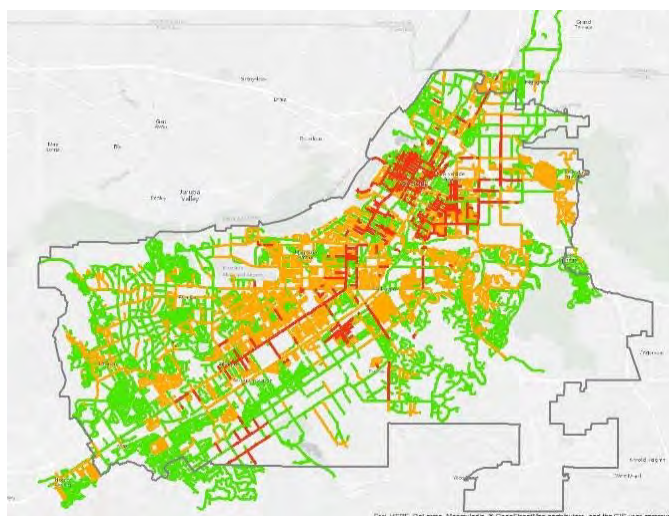
Infrastructure REPAIR AND REPLACE

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Aging Pipes



- 80+ Years old
- 50-80 Years old
- 1-50 Years old

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60 Substation Transformers



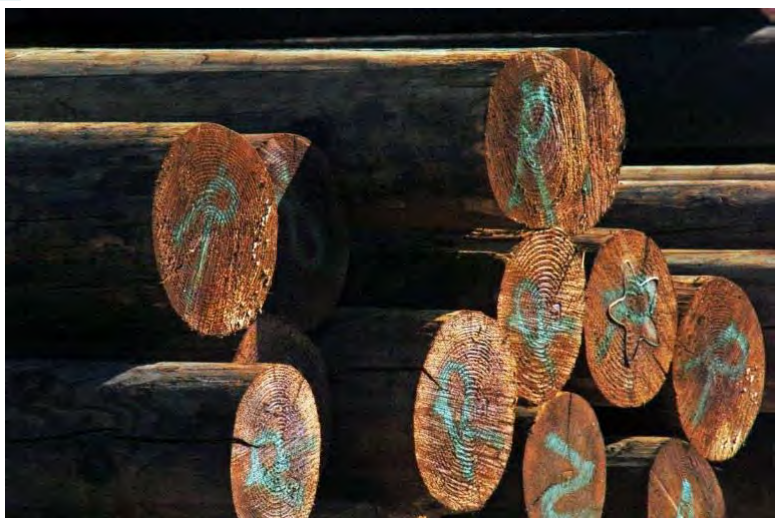
10 are over
60 years old

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22,637 Utility Poles



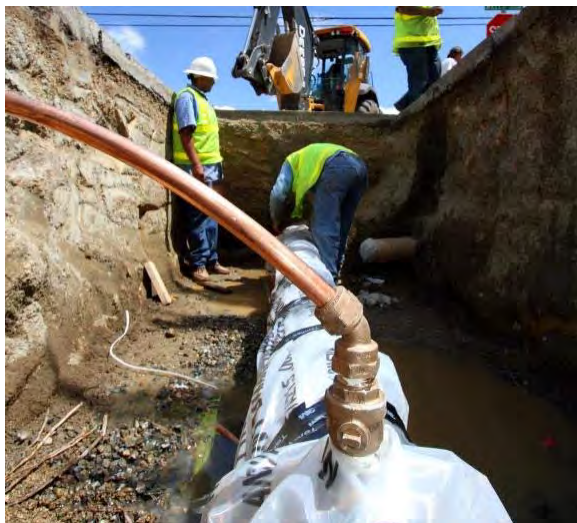
39% are over 60
years old

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824 Miles of Distribution Mains



30% are over
60 years old

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November 2016 – Sinkhole

Victoria Avenue/Lyon



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March 2017 – Sinkhole

Cypress/Warren



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August 2016 – Sinkhole

3rd Street



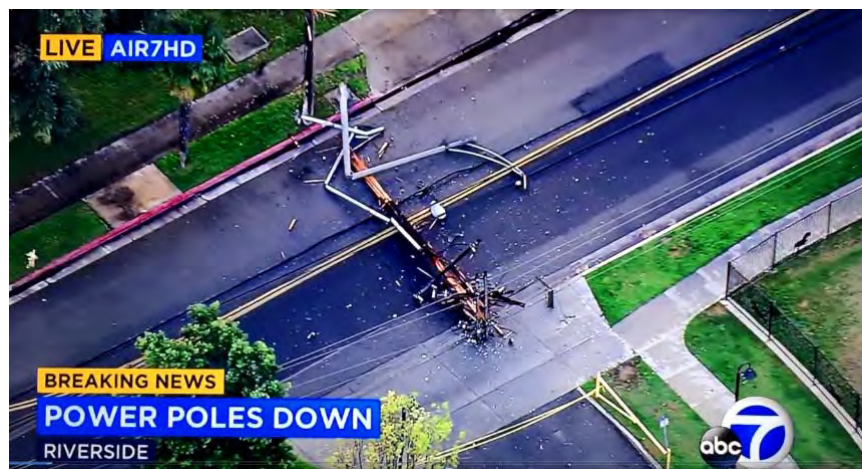
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March 2016 - Microburst

La Sierra



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Harvey Lynn Substation Explosion

March 2014



From this...



...to this.

Harvey
Lynn
Substation
Explosion
March 2014

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UCLA Water Main Break

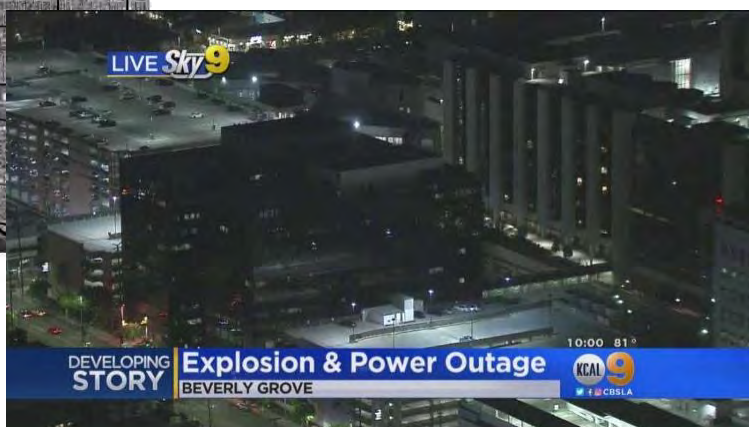
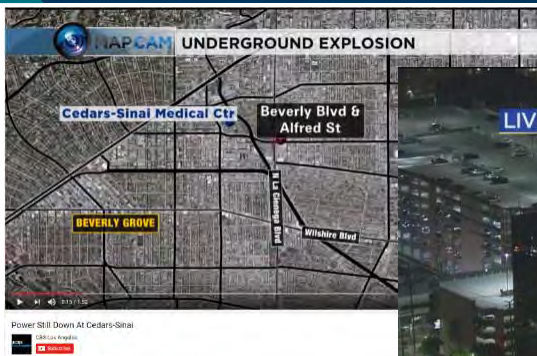


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July 7, 2017 – Cedars Sinai



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July 8, 2017



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July 31, 2017



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August 1, 2017

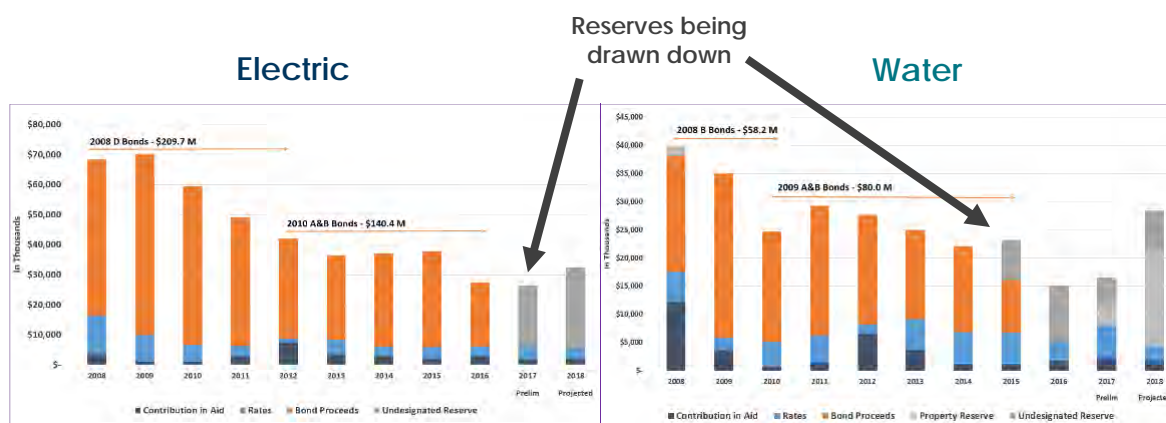


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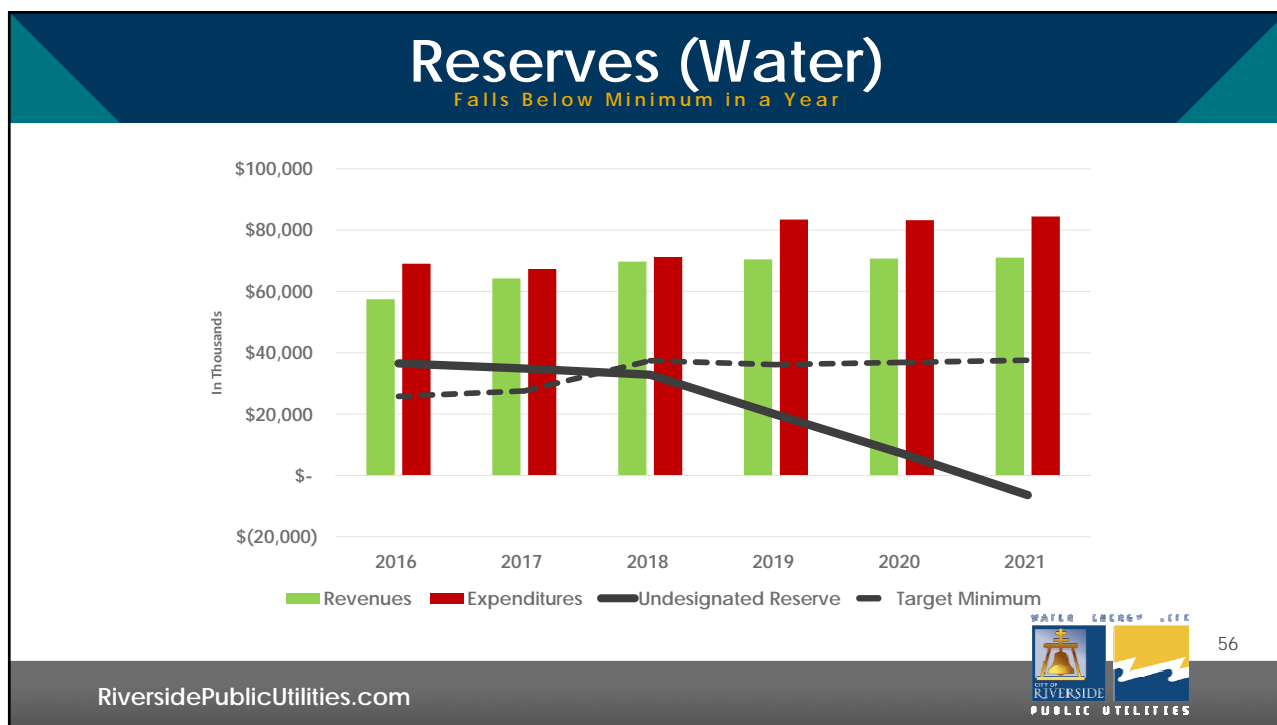
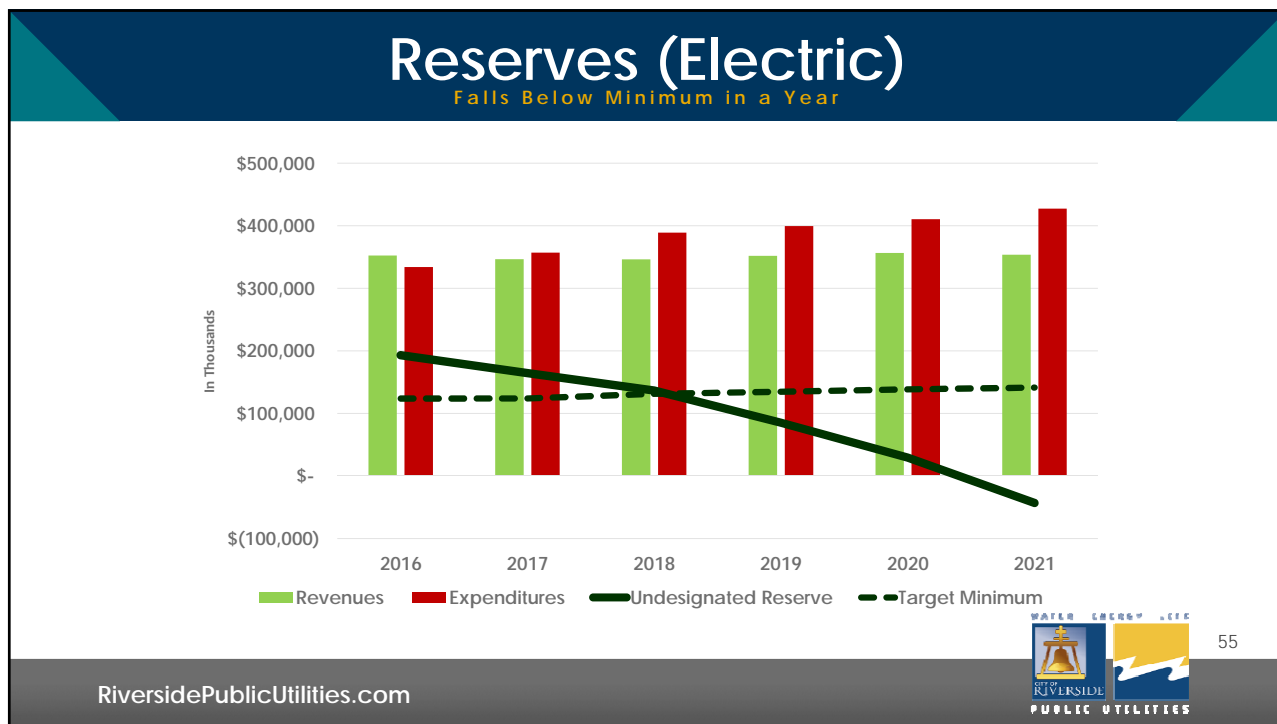
Bonds – All Proceeds Used up 6/30/16



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Community Outreach

PROPOSAL	OUTREACH	RECOMMENDATION	IMPLEMENTATION
August 28 – RPU Board September 26 – City Council	Oct - Nov	January – RPU Board February – City Council	April 2, 2018

Outreach Goals

1. Describe proposal
2. Answer questions
3. Get feedback

Outreach Process

1. Community meetings in all Wards
2. Informational mailers

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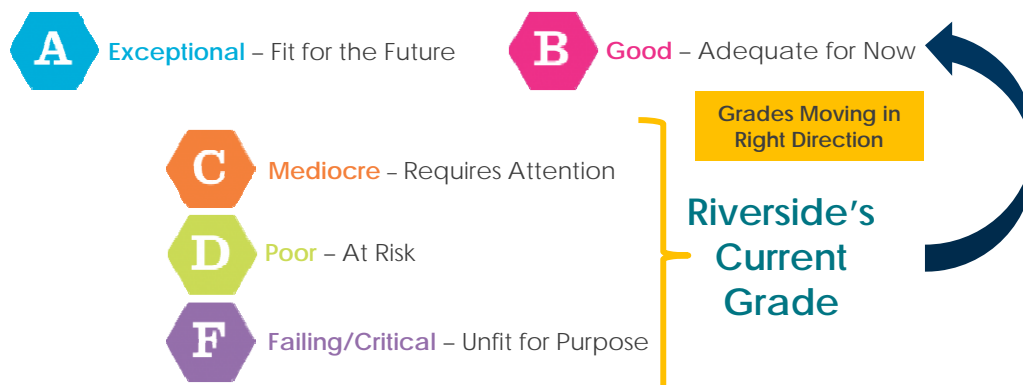


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10-Year Infrastructure Outlook

With Accelerated Repair and Replacement

ASCE Grading Scale



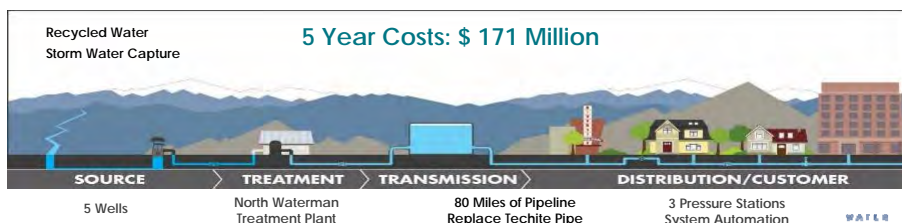
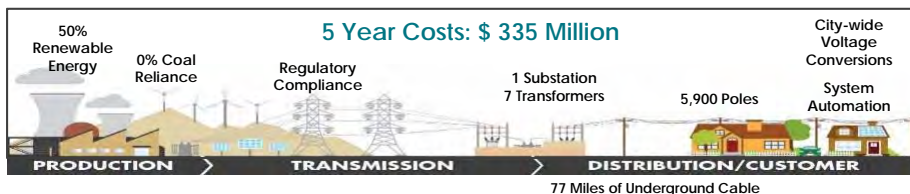
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10-Year Infrastructure Outlook

With Accelerated Repair and Replacement



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Connected City



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8-28-17 Rate Proposal to Board of Public Utilities

1. Unanimously approved moving rate proposal recommendations to City Council.
2. Public and Board discussion, common themes included:
 - a) Providing sufficient customer outreach to include information on ways to save; determining metrics that will be used to gauge responses; providing communication to the Board on themes that emerge from community meetings
 - b) Providing specific outreach to target low-income customers;
 - c) Ensuring that the Board and City Council have oversight and approval authority over any annual Consumer Price Index (CPI) rate changes or cost adjustments being proposed, and
 - d) Considering a joint RPU Board and City Council workshop in November to discuss community outreach feedback and next steps prior to developing a final recommendation.

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Recommendations

That the City Council:

1. Review the Electric and Water Utility 5-year Rate Proposal (Utility Rate Proposal) developed to repair and replace aging and critical utility infrastructure; maintain public health and safety; maintain utility financial health; and improve customer service as per the City Council's direction on October 6, 2015 to develop a financial plan for the 10-year Utility 2.0 Strategic Plan Option 3;
2. Review proposal for annual consumer price index escalators for FY 2023-2027;
3. Direct staff to conduct a citywide community outreach initiative of the Utility Rate Proposal in October and November 2017;

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Recommendations

4. Direct staff to hold a joint meeting with the Board and City Council in November to discuss community outreach feedback and next steps to developing a final recommendation; and
5. Direct staff to return with a public hearing to the Board and City Council, in January and February 2018, respectively, with a final rate recommendation, with new rates effective April 2018.