

Attachment 4

City Council Joint Workshop with the Board of Public Utilities
November 28, 2017

Agriculture/Grove Customers (WA-3 and WA-9 Water Rates)

Riverside is blessed with a rich agricultural history that was responsible for its economic prosperity from the late 19th through the mid-twentieth centuries. As the city experienced post-war urbanization in the latter part of the twentieth century, Riverside benefited from the conversion of agricultural water rights to urban uses, resulting in significantly lower water supply costs compared to other local agencies that rely on imported water.

Riverside has sought to maintain our agricultural heritage by preserving portions of the city from encroaching urban and suburban development. Local citizens passed Proposition R (1979) and Measure C (1987) which contained measures to protect the Arlington Heights Greenbelt and the Rancho La Sierra. These measures also contained policy directives for the city “to make water and electricity available for agricultural use” and ensure that “Gage Canal water is reserved for agricultural use as the highest priority.” Pursuant to this policy, the City Council adopted the following rates that make water and electricity available for agricultural use and prioritize Gage Canal water for agricultural use:

- **Irrigation Metered Service (WA-3):** Applicable to water for customers with at least 75 trees or commercial agricultural operations on 3/4-acre or larger properties; this rate was closed to new customers in 2003. Currently, 132 RPU water customers are on this rate.
- **Greenbelt Irrigation Service (WA-8):** Applicable to water for Greenbelt irrigation customers with access to Gage Canal water; provides a quantity of water equal to two Gage Canal Company shares per acre at the Gage Canal Company rate plus a small monthly billing service fee. Currently, eight RPU water customers are on this rate.
- **Grove Preservation Service (WA-9):** Applicable to water for residential, governmental, and Greenbelt wholesale nursery customers with qualifying groves on their properties; this rate was closed to residential non-Greenbelt customers in 2009. Currently, 65 RPU water customers are on this rate.
- **Power – Agricultural Pumping (PA):** Applicable to power for water pumping service for general agricultural uses.
- **Wind Machines for Frost Protection (PW-1):** Applicable to power for service to wind machines for frost protection.

Additionally, there are an estimated 290 Gage Canal Company shareholders who maintain access to Gage Canal water for agricultural use in the Greenbelt.

In 1996, California voters approved Proposition 218, which amended the California Constitution to require that all property-related fees and charges not exceed the proportional cost of service attributable to the parcel. In 2006, the California Supreme Court found that Proposition 218 applies to water charges.

Based on the analysis conducted by Carollo Engineers as part of their Water Cost of Service and Rate Design Study, the 197 RPU customers on WA-3 and WA-9 water rates do not pay the full cost for providing water service to their properties, resulting in higher rates for all other RPU water customers. The Study recommends that WA-3 and WA-9 customers be transitioned over a five-year period to appropriate residential or commercial/industrial rates that will recover the full cost of service for these properties.

In August, the Board and Council expressed concern regarding the impact of the proposed WA-3 and WA-9 transitional rates on Riverside's agriculture and the Greenbelt. Staff was directed to reach out to customers who would be impacted and explore alternatives to the proposed transitional rates.

RPU communicated with all WA-3 and WA-9 customers and held a community meeting on October 30, 2017. At the meeting, RPU staff presented the Cost of Service Study findings and potential opportunities for water savings and Gage Canal system access and improvements. Meeting attendees were asked to identify other options to address cost of service issues and support Riverside's agricultural heritage. The meeting presentation, a summary of public comments provided during the meeting, and written comments submitted to staff after the meeting are available for download on the following webpage: <http://www.riversideca.gov/utilities/rateplan/documents.asp>.

Based on feedback from the community, RPU staff is proposing the following changes to the original rate plan proposal:

1. Board will create an Ad Hoc Agricultural Water Rates Task Force (Ag Task Force) that will last two years.
 - The Ag Task Force will consist of community members, as determined by the Board.
The Ag Task Force will work with RPU staff to develop rate alternative recommendations to the Board for agricultural customers.
The Ag Task Force will submit rate recommendations to the Board by the end of 2019.
2. In the interim, all WA-3 and WA-9 customers will be subject to a rate increase equal to the system average rate increase proposed for all other water customers, as follows:
 - a. 4.5% increase, starting April 1, 2018; and
 - b. 5.75% increase, starting July 1, 2019.
3. The Board will review, modify if necessary, approve and recommend to the City Council the Ag Task Force rate recommendations, effective July 1, 2020.