



RPU 5 Year Rate Proposal

Electric Utility and Water Utility

City Council
Board of Public Utilities
November 28, 2017

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1

Water-Energy-Life



Utility 2.0 – Planning For Our Future

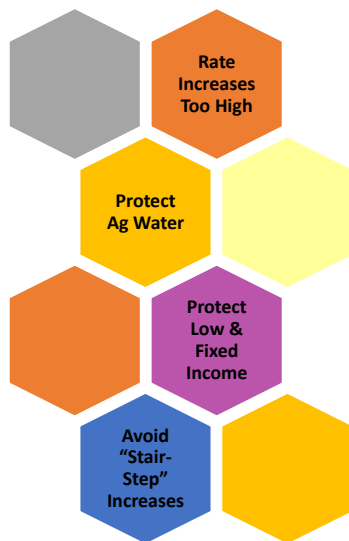
10-Year Infrastructure Plan

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2

Board, Council & Community Feedback



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3

Background

Including History of the Strategic Plan Process and Rate Recommendations

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4

History of the Rate Proposal

1. Utility 2.0 Strategic Plan developed Q1 – Q3 2015
2. Option 3 conceptually approved by Council 10/6/2015
3. Council directed staff to develop rate proposal for Option 3
4. Cost of Service studies conducted throughout 2016
5. Rate Proposal to support Option 3 presented
 - a. RPU Board – August 28, 2017
 - b. City Council September 26, 2017



Average Proposed Rate Change – Option 3

	Years 1-5 <small>(2018-2022)</small>	Years 6-10 <small>(2023-2027)</small>
Electric	4.8% <small>(5-Year Average)</small>	Annual Cost-Based Price Adjustment
Water	8.6% <small>(5-Year Average)</small>	Annual Cost-Based Price Adjustment

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



What you asked us to do

1. Conduct community outreach in October & November
2. Develop low-income programs to minimize bill impacts
3. Report back to Board and Council with refined recommendations

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7

Community Outreach

Including feedback from community meetings

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8

Community Outreach

In October and November 2017, we presented the rate plan proposal at 50 neighborhood, ward, service and business group meetings



9

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Community Outreach (cont'd)

We also communicated the rate plan proposal via e-mails and dropped off flyers to over 158 groups and locations



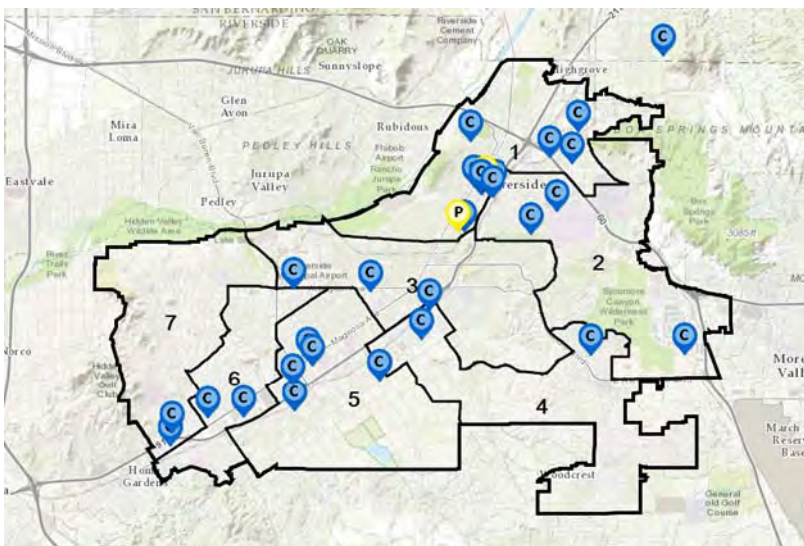
All community centers and libraries



10

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Community Outreach (cont'd)



Meeting locations throughout the City, covering each Council Ward

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11

Community Outreach (cont'd)



ALL feedback comments and questions received were posted on RPU's website

293 Rate Plan Page Hits

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12

Community Outreach (cont'd)



Rate Plan Community Meeting Summary | Ward 4 | Wednesday, Oct 11, 2017

Riverside Public Utilities (RPU) staff made a presentation on RPU's electric and water utility rate increase proposal being introduced by Chuck Conder, Ward 4 City Council Member, RPU General Manager Girish Balachandran and why additional revenues are needed to replace aging infrastructure in order to protect the public health and safety of Riverside's homes and businesses.



Meeting Location	Taft Elementary School 309 Mission Grove Parkway N, Riverside, CA
Number of Community Attendees	15
Organizations Represented	Riverside Unified School District
Speakers	Chuck Conder, Ward 4 Council Member Girish Balachandran, RPU General Manager

Rate Plan Community Meeting Summary | Ward 2 | Wednesday, October 11, 2017

Riverside Public Utilities (RPU) staff made a presentation on RPU's electric and water utility rate increase proposal being introduced by Nofra Delgado, President of the Riverside Latino Network, and Andy Melendrez, Ward 2 Council Member. RPU General Manager Girish Balachandran explained why additional revenues are needed to replace infrastructure in order to protect the public health and safety of Riverside's homes and businesses.



Meeting Location	NatiFuentes Centro de Niños 2010 Martin Luther King Boulevard, Riverside 92507
Number of Community Attendees	20
Organizations Represented	Grid Alternatives Inland Empire The Group Riverside Latino Network Riverside Unified School District
Speakers	Nofra Delgado, Riverside Latino Network Andy Melendrez, Ward 2 Council Member Gil Orogama, Member, Board of Public Utilities Girish Balachandran, RPU General Manager

Rate Plan Community Meeting Summary | Ward 3 | Wednesday, November 1, 2017

Riverside Public Utilities (RPU) staff made a presentation on RPU's electric and water utility rate increase proposal. After being introduced by Mike Soubirou, Ward 3 City Council Member, RPU General Manager Girish Balachandran explained why additional revenues are needed to replace aging infrastructure in order to protect the public health and safety of Riverside's homes and businesses.



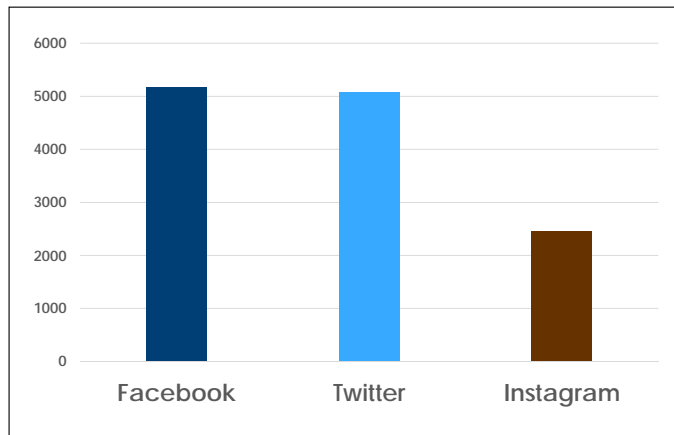
Meeting Location	Janet Goskie Senior Center 5257 Sierra Street, Riverside CA 92504
Number of Community Attendees	25
Organizations Represented	Janet Goskie Foundation
Speakers	Mike Soubirou, Ward 3 Council Member Girish Balachandran, RPU General Manager

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Community Outreach (cont'd)

Social Media Analytics
12,727 Total People Reached



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What did we hear?

At the community meetings:

1. Proposed increases are too high
 - a. Implement infrastructure plan over a longer period
 - b. Build only the infrastructure that is needed
 - c. Reduce operating costs to minimize rate requirements
 - d. Change the General Fund Transfer
2. Support low, moderate and fixed income households
3. Modify the Ag rates to ensure the City remains “green”

What did we hear?

At the business sector meetings:

1. Proposed increases are too high
 - a. Revise rates to minimum levels in year 1 – business budgets already set
 - b. Refresh all assumptions in the rate plan
 - c. Revise & reprioritize the capital program to minimize rates
 - d. Implement a regular review/oversight of rate \$'s and projects
2. Keep rate plan to 5 years and revisit in 2020
3. Develop policy to avoid future “stair-step” increases through annual 5-year rate previews

Revised Proposal

Lowering rate increases through Pro-forma refresh and delaying capital improvements

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17

What is in the new proposal?

1. Ten year infrastructure plan
 - a. Electric reduction from Option 3 to a modified Option 1
 - b. Water reduction from Option 3 to a modified Option 1
2. Five year Rate Plan
 - a. Initial ten year rate projection
 - b. Rate forecast every year – with next 5 year rate proposal starting in July 2023
 - c. Rate plan reopener with Council super-majority and Mayoral consent
3. Lower first year rate increase by delaying new infrastructure

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18

What is in the new proposal?

4. Agricultural water rates – establish task force to review
 - a. System average increases 2018 & 2019
 - b. Implement Task Force recommendations 2020
5. Additional support for low-income
 - a. Enhancements to SHARE Program
 - b. Low-income support for water customers
 - c. Increased outreach and communication
6. Delay effective date for years 2-5 from January to July
 - a. 15 months from first increase to next increase



19

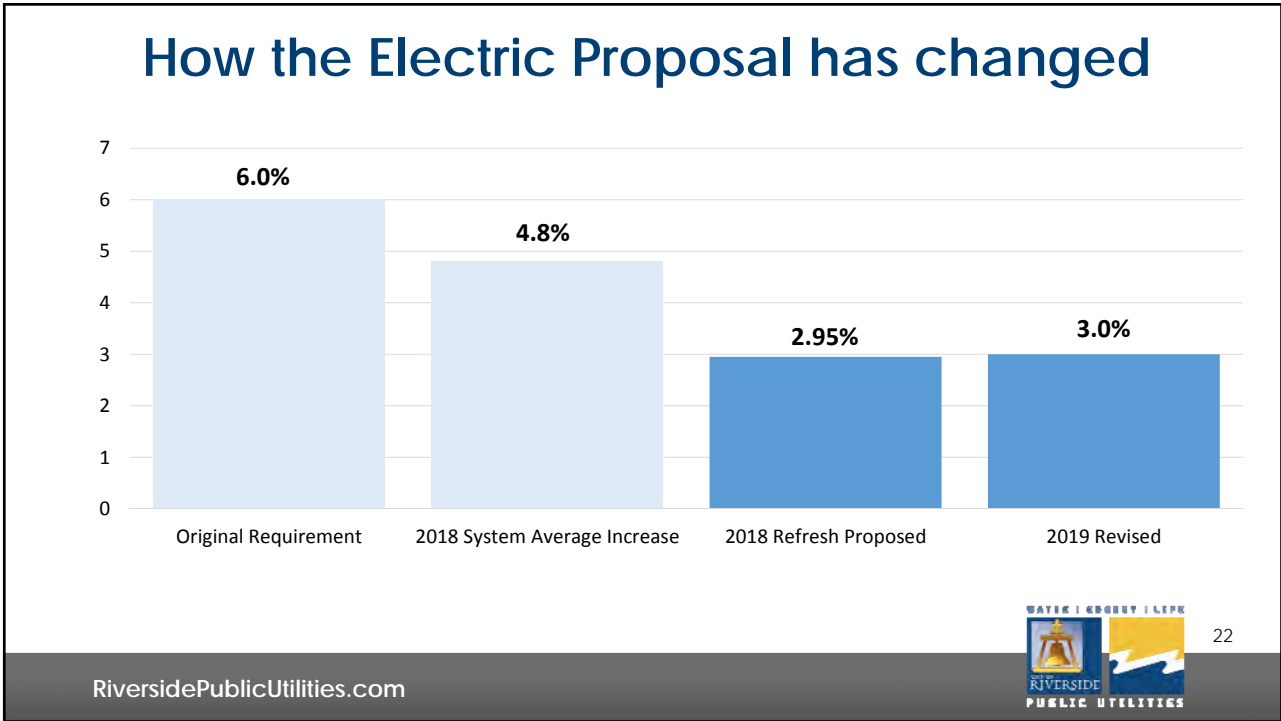
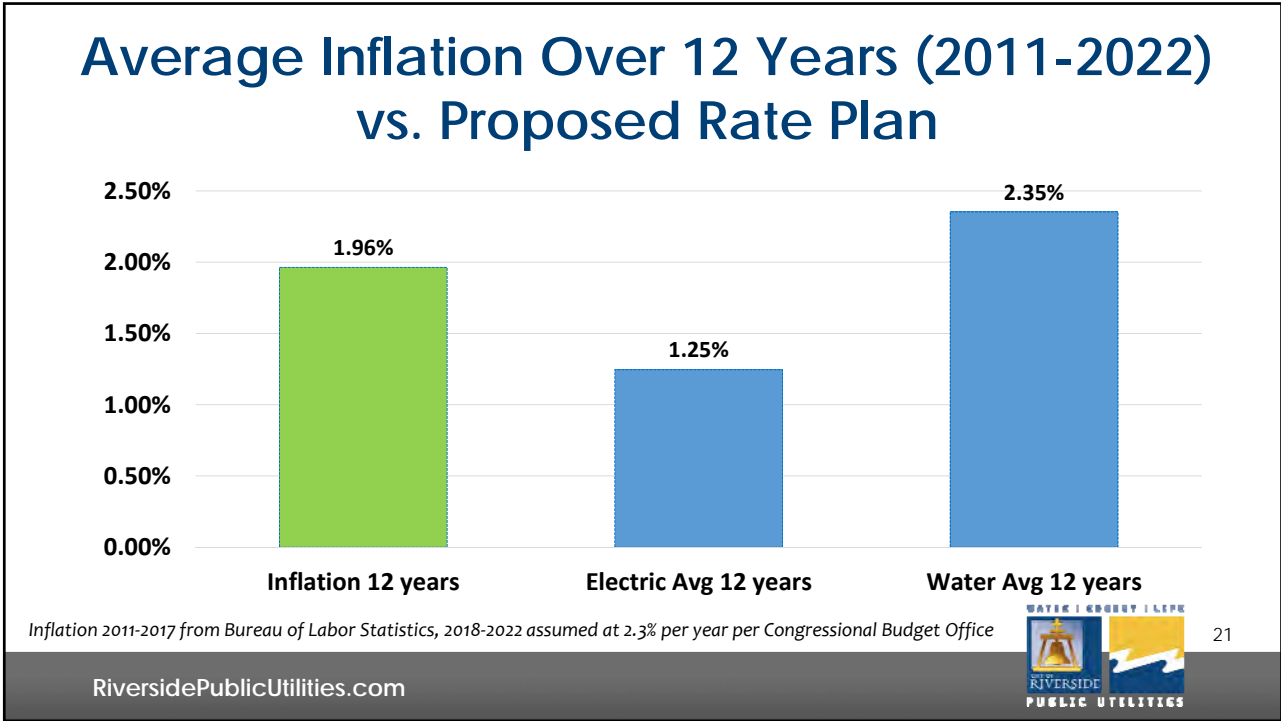
Revised Rate Proposal – Modified Option 1

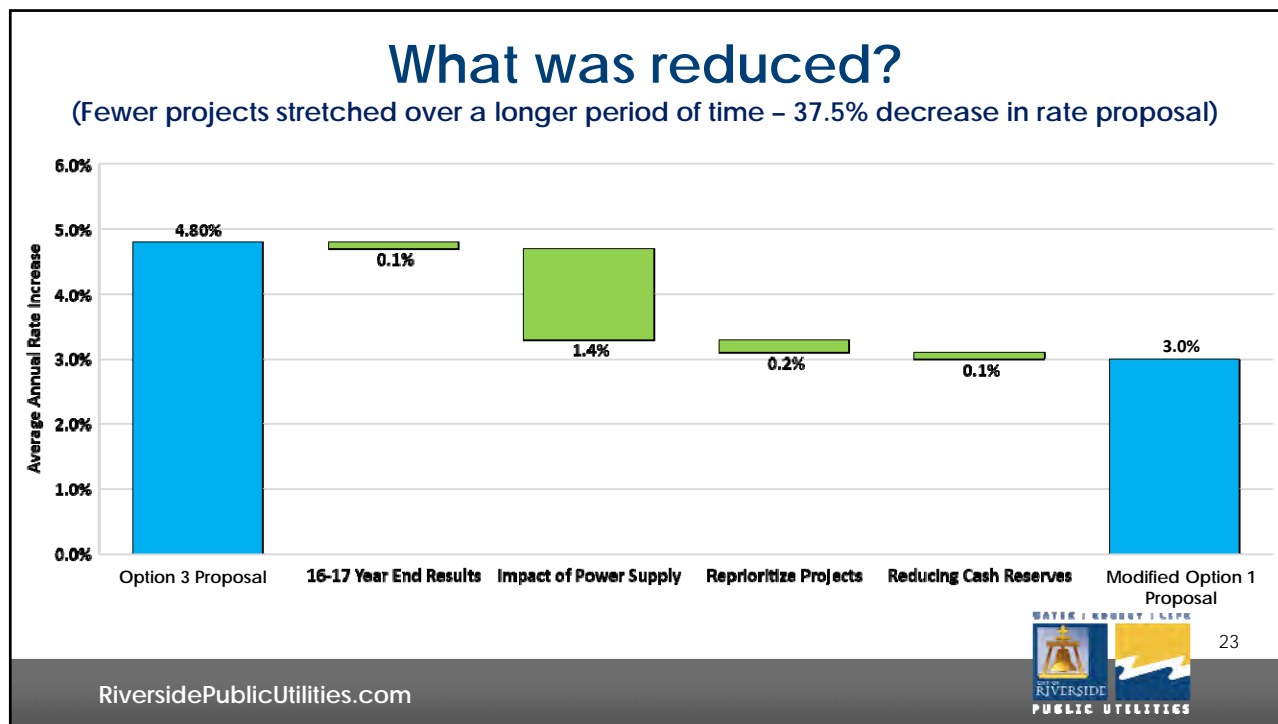
	Years 1-5 (2018-2022)		Years 6-10 Preview (2023-2027)
Electric	April 2018	2.95%	Estimated rate requirement Average annual 3.0%
	July 2019	3.0%	
	July 2020	3.0%	
	July 2021	3.0%	
	July 2022	3.0%	
Water	April 2018	4.50%	Estimated rate requirement Average annual 6.5%
	July 2019	5.75%	
	July 2020	5.75%	
	July 2021	5.75%	
	July 2022	6.50%	

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



20





What Changed in Power Supply?

1. Reduction in Costs:
 - a. Reduction of carbon compliance costs \$81M
 - b. Reduced costs due to reduced coal generation (IPP) dispatch \$67M
 - c. Lower market energy prices
 - d. Reduction of CAISO related charges
2. Reduction in Revenues
 - a. Reduction in Transmission Revenue Requirement Rate



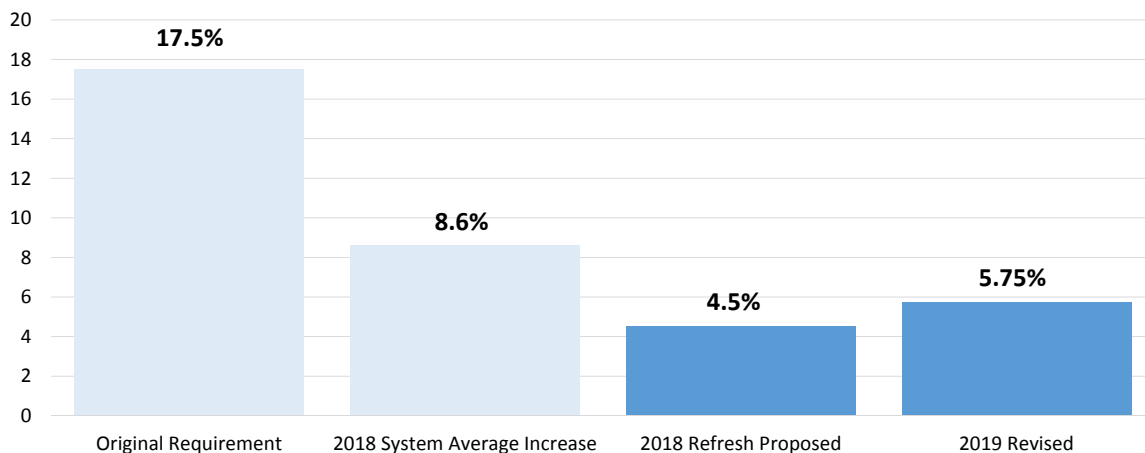
24

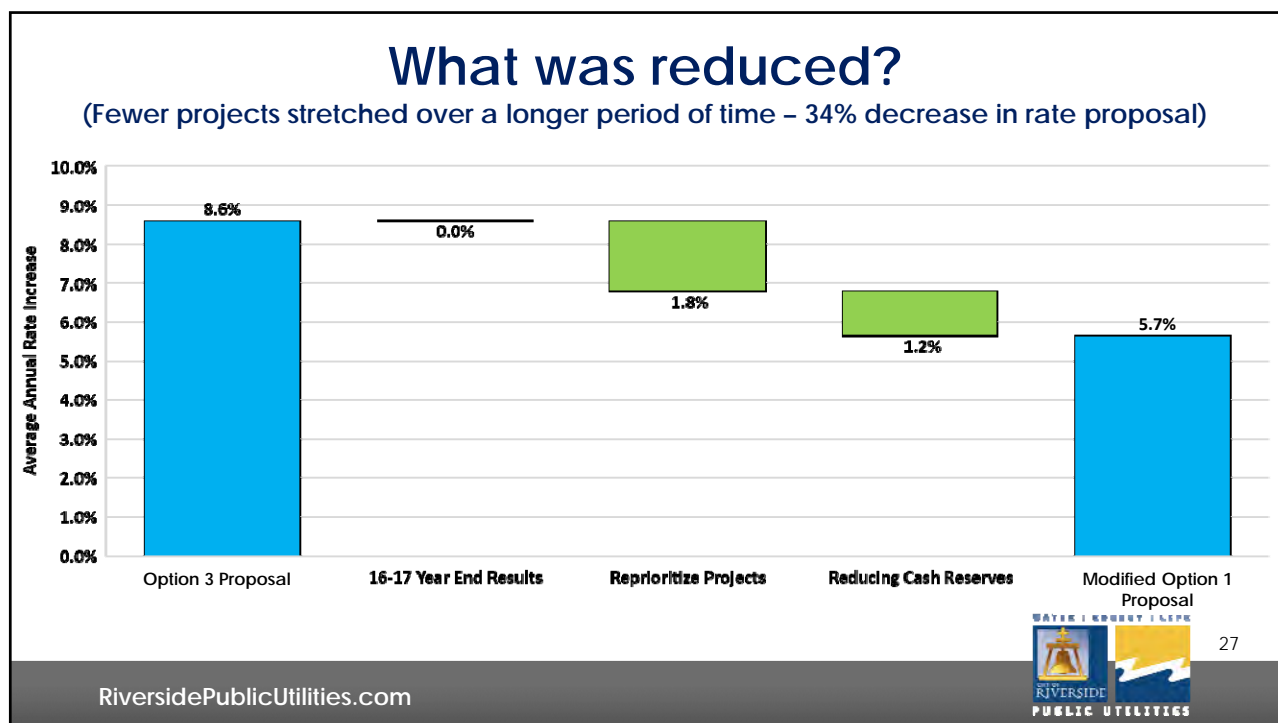
What Changed in Reprioritizing Electric Projects?

1. Overall reduction of \$141M of infrastructure projects over the 10-year plan
2. Street light replacements and electric pole replacements were reduced by 50%
3. Reductions were made to underground replacements and rehabilitations; deferred to future years
4. The new substation in Arlanza eliminated from 10 year plan
5. System automation projects including Contact Center Interactive Voice Response System, Customer Web Portal, certain mobile applications, and automated vehicle locating systems deferred to future years



How the Water Proposal has changed





What Changed in Reprioritizing Water Projects?

1. Overall reduction of \$163M of infrastructure projects over the 10-year plan.
2. Water supply and treatment projects:
 - a. Six of eight water supply projects postponed and will be “packaged” with agreements from project participants, environmental approvals, grant approvals, etc.
 - b. Treatment Plant postponed until the Division of Drinking Water finalizes new perchlorate MCL (\$14.8 M - 2% rate increase FY 17/18 + 2% FY 19/20)
 - c. To be considered by Board and Council with costs and associated rate impacts when needed.

What Changed in Reprioritizing Water Projects?

3. Transmission pipeline projects:
 - a. Eliminated Victoria project. This will increase operating costs through less efficient operation of pumping stations and reservoirs.
 - b. Pushed out the start of the Park Avenue Transmission Project. Project will begin at the latter part of the proposed 10-year plan but will be completed over multiple years.
4. Distribution pipeline projects:
 - a. Reduced pipeline replacement from 8.5 miles per year (100 year replacement cycle) to 4.7 miles per year (180 year replacement cycle).

What Changed in Reprioritizing Water Projects?

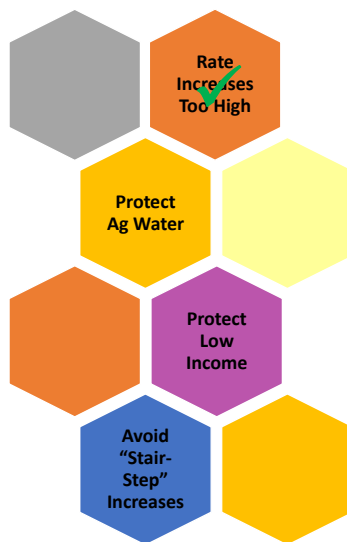
5. Reservoir projects
 - a. Reduced minor rehabilitation and capitalized maintenance.
6. System automation projects including Contact Center Interactive Voice Response System, Customer Web Portal, and automated vehicle locating systems deferred to future years

What is the risk with the new rate plan?

1. Revised plan reduces resiliency and increases risk
2. Replacement rates for poles and pipes declines and is not sustainable
 - a. No anticipated immediate impacts
 - b. Long term replacement rate must be changed to meet expected life of these assets
3. More repairs moved to reactive and emergency basis – longer service interruptions
4. Infrastructure that leaves our community most vulnerable, such as transmission lines and substations, are replaced at sustainable rate



Board, Council & Community Feedback



Rate Proposal Lowered:
 Electric: 4.8% ↓ 3.0%
 Water: 8.6% ↓ 5.7%



Agricultural Water Rates Proposal

Establishing a citizen task force to address WA-3 and WA-9 Rate Revisions

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33

RPU Board to Appoint Ad-Hoc Agricultural Task Force (Ag Task Force)

- 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.

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34

Ad-Hoc Ag Task Force

Suggested Mission Statement

The Riverside Agricultural Water Rates Task Force shall advise the Public Utilities Board on policy considerations to ensure the fair and equitable distribution of water resources and water pricing to promote agricultural uses and land use policies consistent with Measure R, Measure C and GrowRIVERSIDE.

Interim Ag Rate Recommendation

For Rate Schedules WA-3.1; WA-3.2; WA9.1; WA9.2:

1. Two-year increase equal to system average rate increase applied to all water customers
 - a. 4.5% - April 2018
 - b. 5.75% - July 2019
2. Implement Rate Task Force recommendations July 2020

Board, Council & Community Feedback

Rate Proposal Lowered
Ad-Hoc Task Force to
study



Rate Proposal Lowered:
Electric: 4.8% ↓ 3.0%
Water: 8.6% ↓ 5.7%



Low-Income Support Proposal

Enhancing support and outreach for our communities of need



Low-Income/Fixed Income Community Stakeholders

1. Convened by RPU staff to discuss improved outreach to low-income and fixed income customers
2. Identified issues with current service delivery
 1. Alignment with other County programs
 2. Outreach to the community
 3. Program effectiveness
3. Staff developed multi-year, multi-tiered program

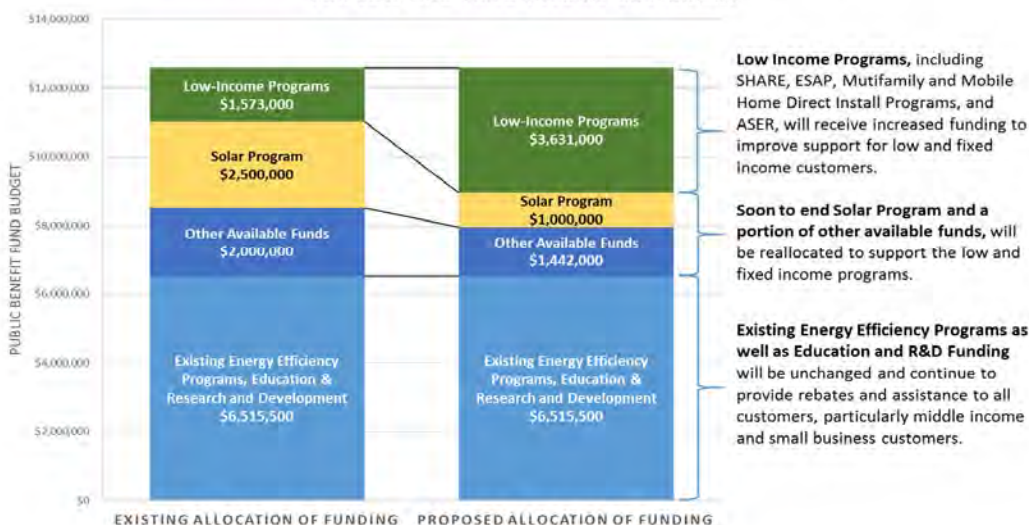


39

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Reallocation of Public Benefit Funding

RE-ALLOCATION OF PUBLIC BENEFIT FUNDING TO IMPROVE SUPPORT FOR LOW AND FIXED INCOME CUSTOMERS



40

Low-Income/Fixed Income Assistance

1. SHARE Program Enhancements
 - a. 150% → 200% Federal poverty level
 - b. \$150/yr → \$14/mth electric bill credit
 - c. Annual deposit, emergency assistance
 - d. \$2.25 monthly water bill credit
 - e. More convenient program sign-up
2. ESAP Program Enhancements
 - a. Align with SHARE, partner agencies
 - b. Automatic SHARE sign-up

SHARE Customer
Participation:

+100%
(4,500 → ~10,000)

ESAP Customer
Participation:

+500%
(200 → ~1,000)

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41

Low-Income/Fixed Income Assistance

3. Comprehensive Outreach Campaign
 - a. Multi-media: Bills, bill envelopes, radio, newspaper/letters, web
 - b. Multi-location: Customer Service, shopping centers, churches
 - c. Multi-lingual: English, Spanish, additional languages (as needed)
4. Needs Assessment
 - a. Ongoing involvement of advocates and stakeholders
 - b. Benchmarking and metrics

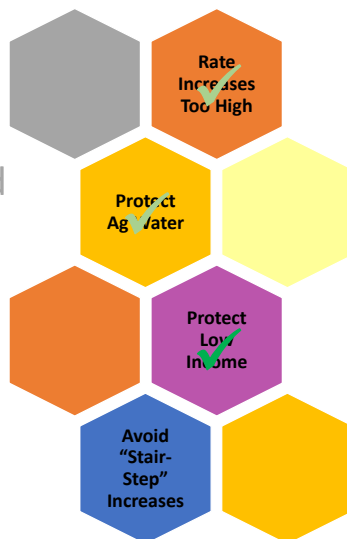
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42

Board, Council & Community Feedback

Rate Proposal Lowered
Ad-Hoc Task Force to study



Rate Proposal Lowered:
Electric: 4.8% ↓ 3.0%
Water: 8.6% ↓ 5.7%

Expanded support level
Expanded eligibility
New water bill support



Rate Plan Review Proposal

Improving oversight and establishing ongoing dialog regarding Utility rates



Rate Plan Review and Oversight

Each December starting in 2019 the staff will provide an update on status of rate plan spending, as well as provide a five (5) year rate preview/forecast for years 2023-2027 to Board and Council

- a. Rate reopener of current rate plan with super-majority of City Council and Mayor consent
- b. Review of annual 5-year forecasts will avoid future potential “stair step” increases
- c. By end of 2021, as part of FY 2022-24 two-year budget, a new 5 year rate package for consideration starting in July 2023
- d. Process of rate review and proposal continue into future, even if de minimis



Board, Council & Community Feedback

Rate Proposal Lowered
Ad-Hoc Task Force to study

Regular review & oversight
Rate forecasts



Rate Proposal Lowered:
Electric: 4.8% ↓ 3.0%
Water: 8.6% ↓ 5.7%

Expanded support level
Expanded eligibility
New water bill support



Next Steps

Staff recommendations to advance the proposal

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47

Next Steps

Activity	Date
RPU/City Council Joint Workshop	November 28
Refresh Cost of Service analysis and develop new rate tables	December 2017
Public Hearing before Board of Public Utilities	February 26
City Council consideration of Rate Recommendations	March 6
Rates Effective	April 1, 2018

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48

Revised Rate Proposal – Modified Option 1

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	July 2022	6.50%	

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



49

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Recommendations

That the Board of Public Utilities and City Council:

1. Conduct and participate in a joint workshop to receive and discuss the results of community outreach regarding the electric and water utility five-year rate proposal 2018-2022;
2. Conceptually approve the electric and water utility five-year rate proposal (2018-2022) utilizing the Utility 2.0 Strategic Plan modified Option 1 for electric and water utility infrastructure improvements over the next ten years;
3. Direct staff to prepare all documents necessary for public noticing of the rate proposal, to update proposed rate schedules and fiscal policies to reflect changes due to the rate proposal, and to update any other documents necessary for the public hearing to be held before the Board of Public Utilities on February 26, 2018 and final rate recommendations to the City Council on March 6, 2018; and
4. Provide direction to staff for any modifications to the rate proposal.



50

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