

FY 2018-23 Budget Assumptions and Five Year Plan

Riverside Public Utilities

Budget Engagement Commission

April 5, 2018

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DEPARTMENT OVERVIEW

- Department Purpose – Public Utilities is responsible for providing electric and water service to customers with a service area population of approximately 327,000, encompassing 82 square miles.
- Electric Utility
 - 109,000 metered customers
 - 2,198,000 MWH Sales
 - 476 employees
- Water Utility
 - 65,000 metered customers
 - 25,340,729 CCF Sales
 - 159 employees



ELECTRIC AND WATER OVERVIEW



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REVENUE AND EXPENSE ASSUMPTIONS

- Rate proposal approved – Retail revenues ~ 70% of revenues
- Personnel
 - No increase in FTEs
 - Increase in CalPERS benefit costs
 - Overtime budgets projected based on operational need (24/7 operations)
- Power supply and production costs necessary to serve customer load / consumption
- Operating, maintenance, and administrative costs scrutinized and cuts were made where possible
- Planned use of reserves and bond proceeds as per rate proposal to keep rates as low as possible



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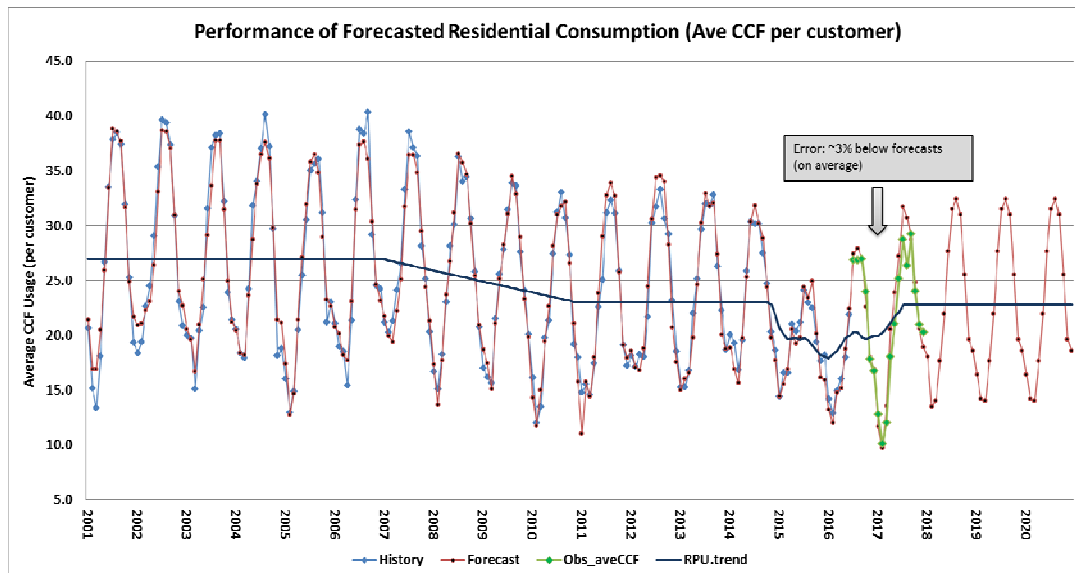
RETAIL REVENUE FORECASTING APPROACH

- Use of statistically estimated Econometric models that adjusts for:
 - Weather variation (temperature & heatwaves [Electric]; ETo and rainfall [Water])
 - Long-term, local economic drivers [Electric & Water]
 - Reduced consumption due to rate increases [Electric & Water]
 - Reduced consumption due to drought messaging and/or restrictions [Water]
 - Reduced consumption due to Energy Efficiency and customer Solar PV [Electric]
 - Increased consumption due to load migration and/or local EV adoption [Electric]
 - Seasonal trends, holidays, local industry influences [Electric & Water]
- These fitted statistical forecasting models can then be used to produce future forecasts for specific future scenarios.



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OPERATIONAL IMPROVEMENTS AND EFFICIENCIES

- Eliminated Deputy General Manager and two Assistant General Manager positions (Customer Engagement and Operational Technology) - \$816K / year
- Consolidated divisions under existing Assistant General Managers – Customer Engagement, Public Benefits, Legislative, Customer Service and Field Services
- RPU functions consolidated with City Departments – Communications and Workforce Development
- Addressed overtime (OT) through hiring staff, improved reporting and budgeting processes and management oversight – RPU projects reducing OT expenditures by \$679,000 during the FY ended June 30, 2018.
- Reduced costs where possible to be in line with rate proposal – reduced operational spending FY 2018/19 and FY 2019/20 by \$3.1M and \$2.9M, respectively.



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RATE PROPOSAL

	Years 1-5 (2018-2022)		Years 6-10 Preview (2023-2027)
Electric	July 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	July 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.



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ELECTRIC OUTSTANDING REVENUE BONDS

Bond Issuance	Principal Outstanding at 6/30/17
2008A	70.5 M
2008C	42.0 M
2008D	209.7 M
2009A	2.5 M
2010A	133.3 M
2010B	7.0 M
2011A	41.9 M
2013A	46.6 M
Total	\$ 553.5 M

Major Projects Funded:

Peaking Units - RERC Units 3&4 - \$111.7 M
 Peaking Units -RERC Units 1&2 - \$83.2 M
 Clearwater Power Plant - \$44.5 M
 Riverside Transmission Reliability & Subtransmission Projects - \$41.7 M
 Substation Transformer Add - \$31.6 M
 San Onofre Nuclear Generating Station - \$31.4 M
 Mission Square Building - \$27.0 M
 Substation Bus Upgrade - \$26.3 M
 Major Overhead / Underground Conversion - \$19.8 M
 Major Feeders - \$18.5 M
 CIS Banner Upgrade - \$15.8 M
 Major 4/12kv Conversion - \$13.4 M
 Transformers - \$12.1 M
 Distribution Line Extensions - \$10.7 M

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WATER OUTSTANDING REVENUE BONDS

Bond Issuance	Principal Outstanding at 6/30/2017
2008B	56.6 M
2009A	9.8 M
2009B	67.8 M
2011A	54.1 M
Total	\$ 188.3 M

Major Projects Funded:

Main Replacements - \$40.1 M
 Reservoir Construction - \$40.0 M
 Facility Rehabilitation - \$27.3M
 Transmission Mains - \$15.5 M
 JW North Treatment Plant - \$13.0 M
 Existing Waterline Facility Relocations - \$10.4 M
 Hunts Lane Pipeline Replacement - \$7.3 M
 Recycled Water Facilities - \$4.8 M
 Pump Station Replacements - \$4.3 M
 Seven Oaks Dam - \$4.0 M

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BUDGET ASSUMPTIONS – ELECTRIC



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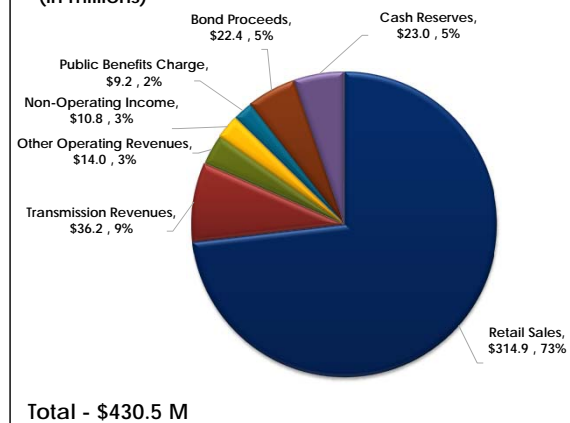
BUDGET ASSUMPTIONS – ELECTRIC REVENUES

- Retail Sales
 - Proposed rate plan

	FY 18/19	FY 19/20
Average System Rate Increase	2.95%	3.0%
Usage Growth	(3.2)%	.9%
Customer Growth	0.5%	0.6%

- Transmission Revenues
 - Based on projected load and rate
 - FY 18/19 2.7% and FY 19/20 2.4%
- Other Operating Revenues
 - Cap-and-Trade Auction Proceeds (Increase)
 - Renewable Energy Credit Sales (Increase)
 - Service Revenues (Flat)
- Bond Proceeds – capital funding while maintaining financial metrics based on 10-year proforma
- Cash Reserves – drawing down while maintaining financial metrics based on 10-year proforma

REVENUES - FY 18/19
(in millions)



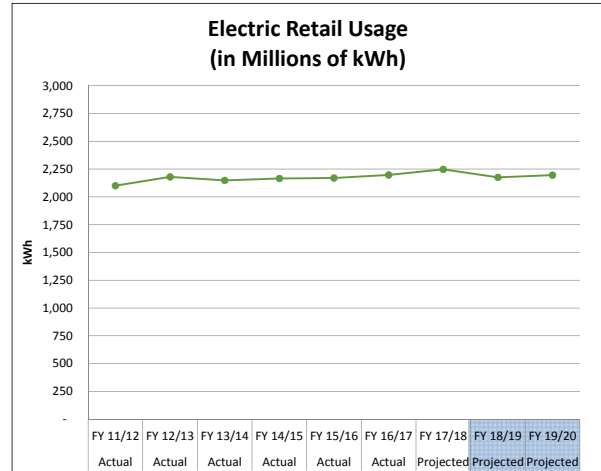
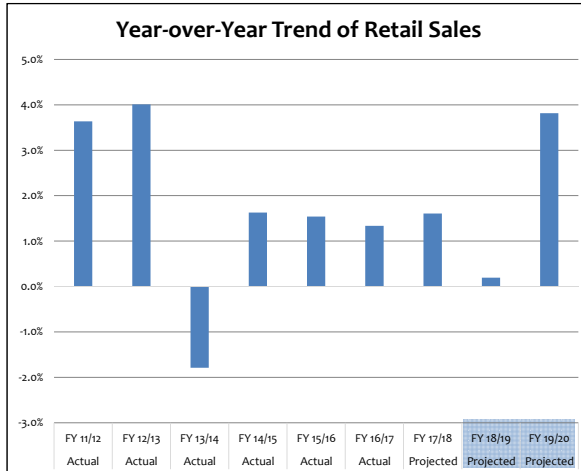
% Allocations for FY 19/20 Revenues are similar to FY 18/19

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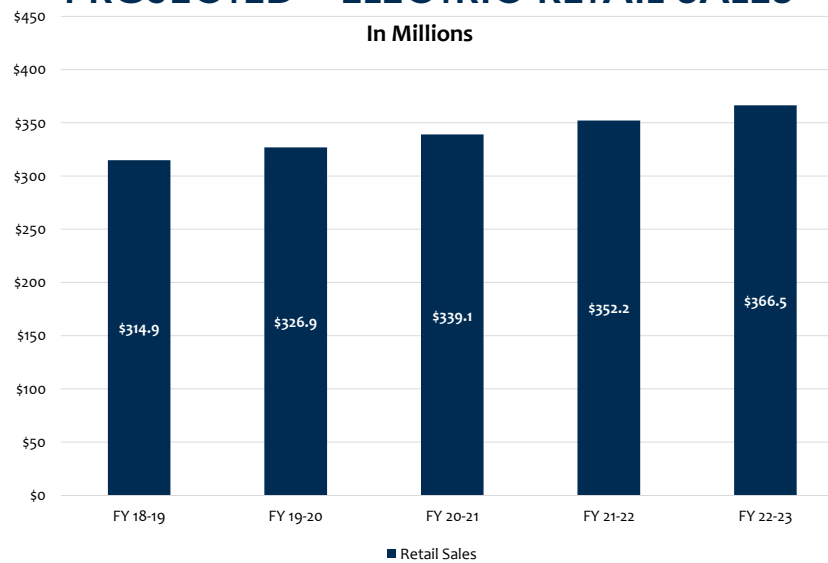
BUDGET ASSUMPTIONS – ELECTRIC REVENUES



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PROJECTED – ELECTRIC RETAIL SALES



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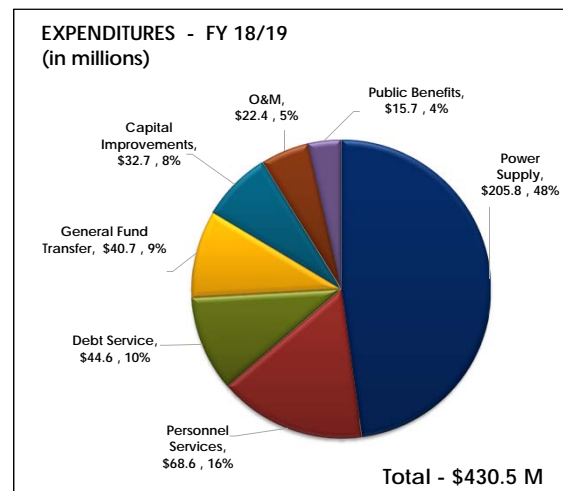
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ELECTRIC - REVENUES FROM OTHER SOURCES

Revenue Source	FY 18/19	FY 19/20
Transmission Revenue Requirement	\$ 36.2 M	\$ 37.1 M
Cap-and-Trade Revenues	\$ 7.8 M	\$ 8.4 M
Excess Renewable Energy Credit Sales	\$ 2.0 M	\$ 2.4 M
Scheduling Coordinator Services	\$ 750,000	\$750,000

BUDGET ASSUMPTIONS – ELECTRIC EXPENDITURES

- Power Supply
 - 6.8% increase FY 18/19
 - 5.6% increase FY 19/20
- Personnel
 - Partnership Compensation Model
 - CalPERS
- Debt Service
 - New debt issuance in FY 18/19 with proposed rate plan - \$103.1M
- General Fund Transfer
 - Based on prior year revenues
- Capital Improvements
 - Rate proposal

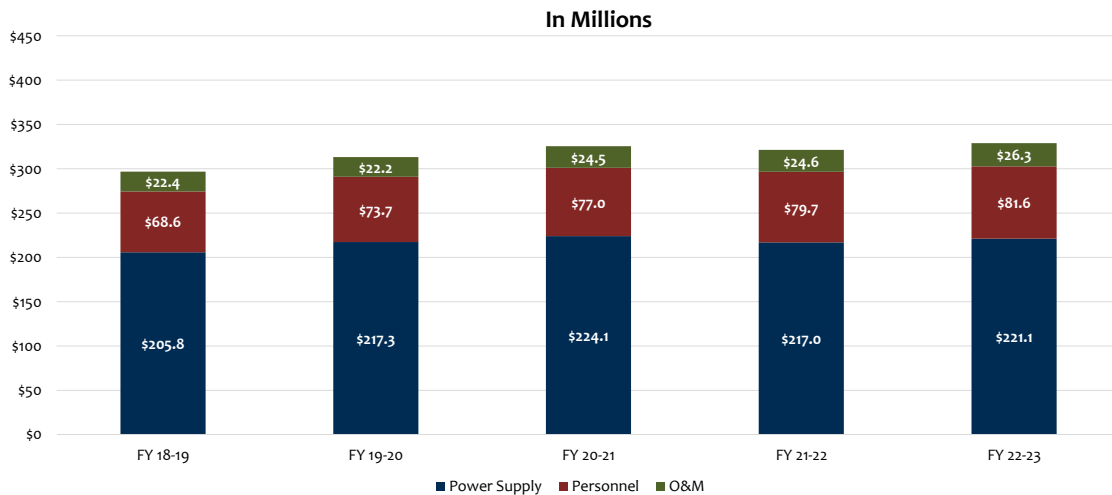


% Allocations for FY 19/20 Expenditures are similar to FY 18/19

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PROJECTED – ELECTRIC OPERATING EXPENDITURES



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MANAGING EXPENSES - ELECTRIC

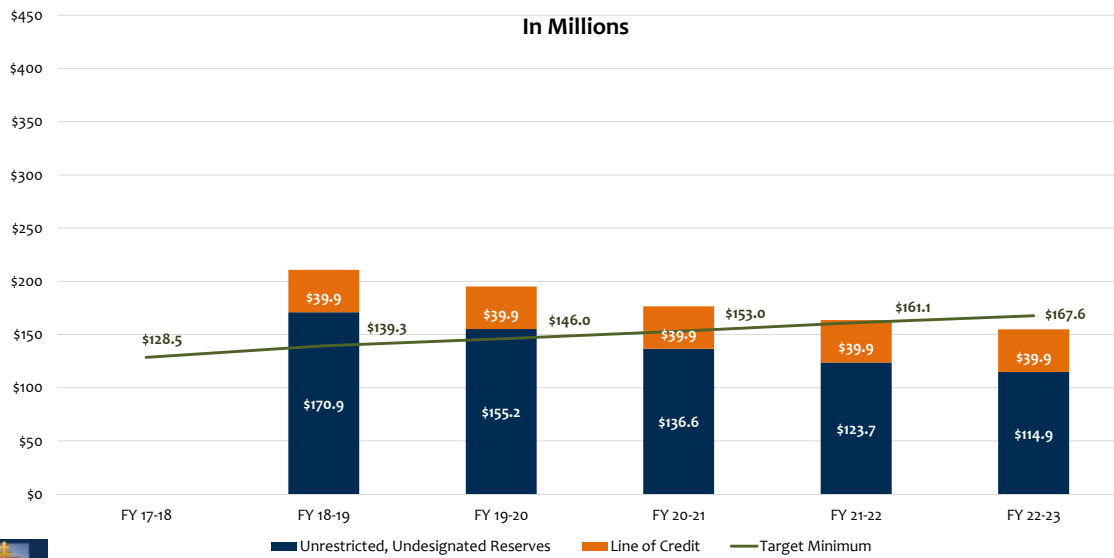
- Control and reduce administrative, operating and maintenance costs where possible:
 - Cost reductions included in rate proposal and reflected in two-year budget:
 - Operating and maintenance budget reductions in Electric Fund - Total - FY 18/19 - \$2.7M; FY 19/20 - \$2.8M
 - Professional services (including outside legal fees) – FY18/19 - \$1,178k; FY 19/20 - \$1,220k
 - Energy charges and Greenhouse Gas regulatory fees – FY 18/19 - \$702k; FY 19/20 - \$755k
 - Various maintenance costs - FY 18/19 - \$305k; FY 19/20 - \$310k
 - Misc. other costs (travel/meeting, training, software, supplies, etc.) – FY 18/19 - \$530k; FY 19/20 - \$530k



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PROJECTED – ELECTRIC UNDESIGNATED CASH



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PUBLIC BENEFITS CHARGE



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PUBLIC BENEFITS CHARGE (PBC) OVERVIEW

- Mandated State Charge – implemented by AB 1890 (1996) as part of the restructuring of California’s electric utility industry
- 2.85% min. charge on all electricity sales which can only be used to fund the following:
 - Energy Efficiency
 - Research, Design & Development (RD&D)
 - Low-Income Assistance
 - Renewable Energy



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PBC – LEGISLATIVE MANDATES

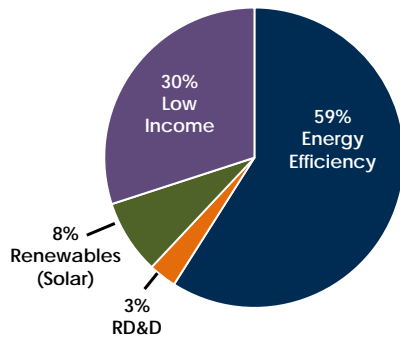
- Senate Bill 1037
 - Requires POUs to annually report to customers and the CEC on investments in energy efficiency and demand reduction programs.
- Assembly Bill 2021
 - Directs POUs to identify all potentially achievable cost-effective, reliable and feasible electricity efficiency savings and establish 10-year statewide energy efficiency savings targets.
- Assembly Bill 2227
 - Changed the frequency of the energy efficiency 10-year target-setting requirements from once every three years to once every four years.



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PUBLIC BENEFIT FUND BUDGET



- **Energy Efficiency**
 - 32 residential and commercial rebates
 - Direct installations, audits, and performance-based programs
- **Low-Income**
 - Sharing Households Assist Riverside's Energy (SHARE) Program
 - Energy Saving Assistance Program (ESAP)
- **Renewables**
 - Solar Rebates (closed 12/17, ongoing funding to complete projects)
- **Research, Design & Development**
 - Custom Energy Technology and Energy Innovation Grants



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CUSTOMERS INFLUENCED BY ENERGY EFFICIENCY PROGRAMS

Since FY13/14 through Dec 2017:

Rebates Processed

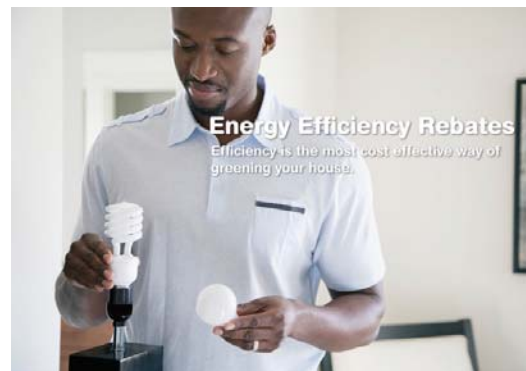
Residential: 87,604

Commercial: 8,752

Energy Savings

Residential: 19,868,879 kWh

Commercial: 52,917,417 kWh



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BUDGET ASSUMPTIONS – WATER



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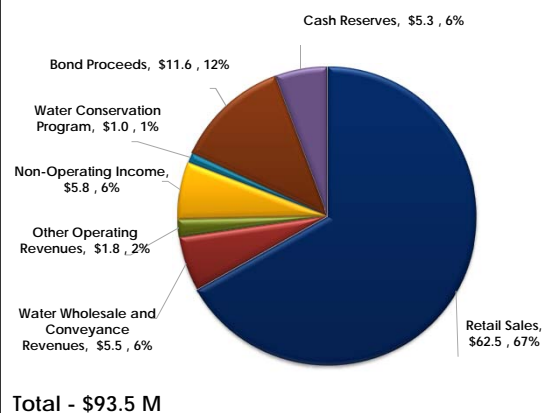
BUDGET ASSUMPTIONS – WATER REVENUES

- Retail Sales
 - Proposed rate plan

	FY 18/19	FY 19/20
Average System Rate Increase	4.5%	5.75%
Usage Growth	2.4%	(.8)%
Customer Growth	.7%	.7%

- Wholesale and Conveyance Revenues
 - Est. increase based on agreement
 - FY 18/19 – 11.2% FY 19/20 – 32.3%
- Non-Operating Revenues
 - Property Lease Revenue - Increase per agreement
 - Interest Income – based on proj. cash balances at City pool rate
- Bond Proceeds – capital funding while maintaining financial metrics
- Cash Reserves – drawing down while maintaining financial metrics

REVENUES - FY 18/19
(in millions)



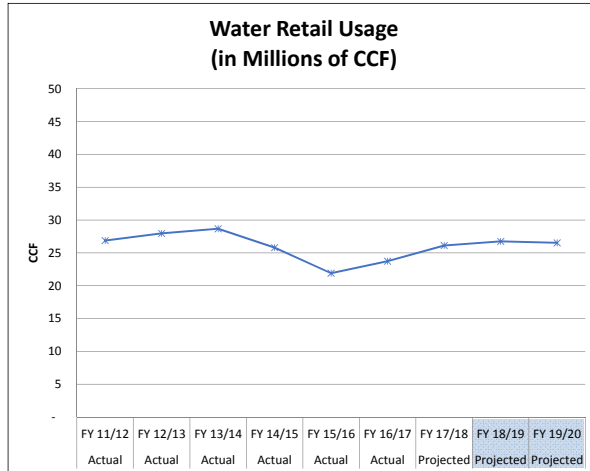
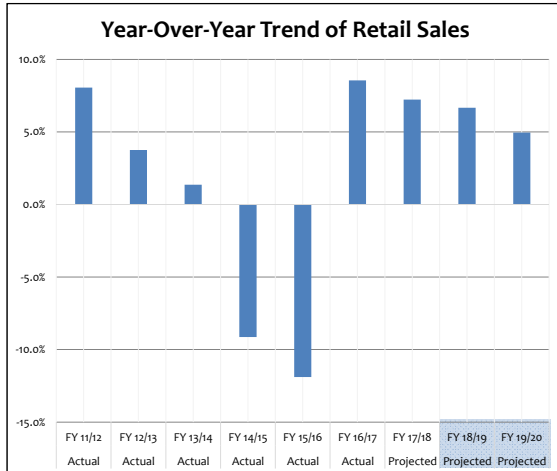
% Allocations for FY 19/20 Revenues are similar to FY 18/19

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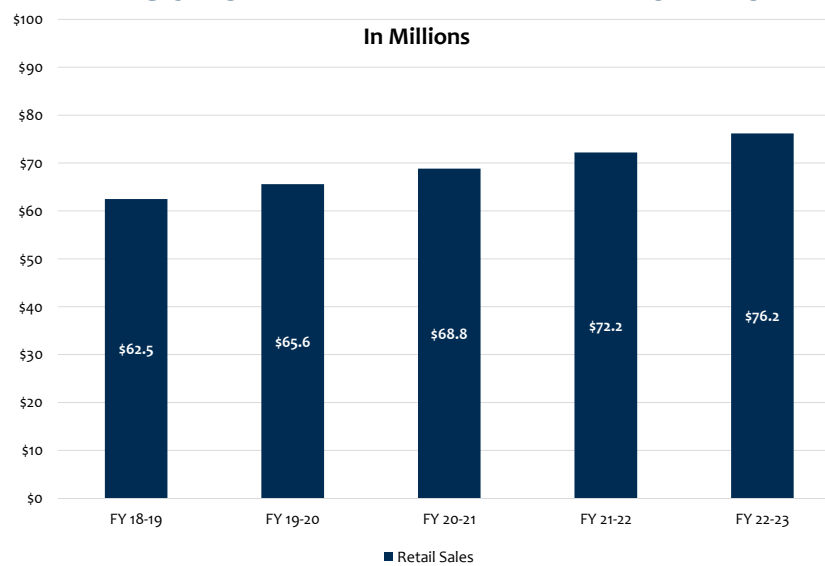


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BUDGET ASSUMPTIONS – WATER REVENUES



PROJECTED – WATER RETAIL SALES



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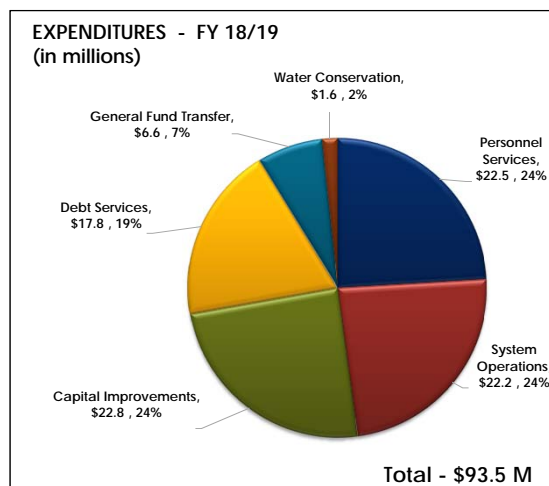
TK20 The General Fund year-over-year chart confused our audiences. Consider retitling "Year-Over-Year Trend..." instead of "Growth Trend"
Thomas, Kristie, 3/1/2018

WATER - REVENUES FROM OTHER SOURCES

Revenue Source	FY 18/19	FY 19/20
Conveyance and Sales to WMWD and Other Agencies	\$ 5.5 M	\$ 7.3 M
55 Year Ground Lease, partially offset by rental credits for well relocation costs	\$ 1.1 M (\$0.5 M net revenue)	\$ 1.1 M (\$0.5 M net revenue)

BUDGET ASSUMPTIONS – WATER EXPENDITURES

- Personnel
 - Partnership Compensation Model
 - CalPERS
- System Operations
 - Roll-over budget
 - Increases in taxes and assessments
- Debt Service
 - New debt issuance in FY 18/19 with proposed rate plan - \$52.2M
- General Fund Transfer
 - Based on prior year revenues
- Capital Improvements
 - Rate proposal

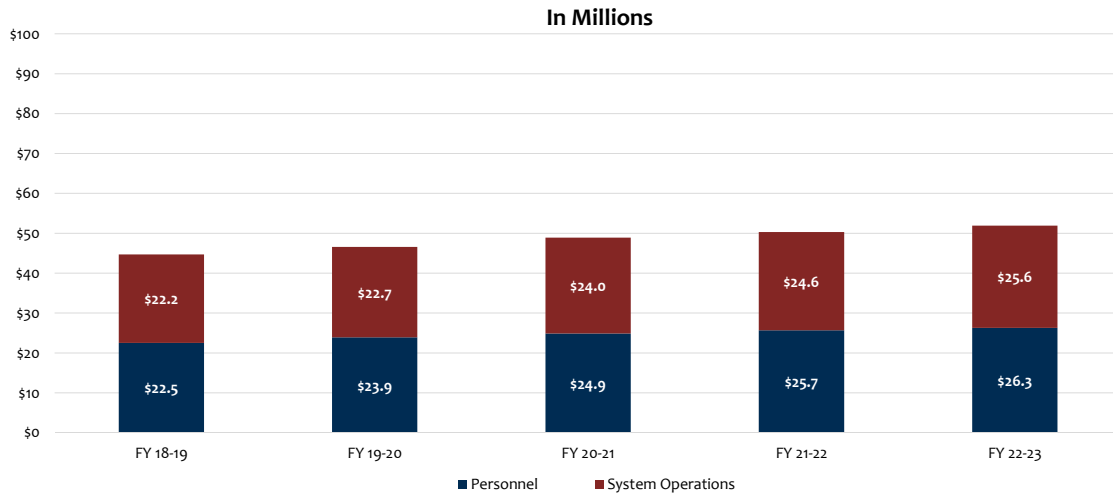


% Allocations for FY 19/20 Expenditures are similar to FY 18/19

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PROJECTED – WATER OPERATING EXPENDITURES



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MANAGING EXPENSES - WATER

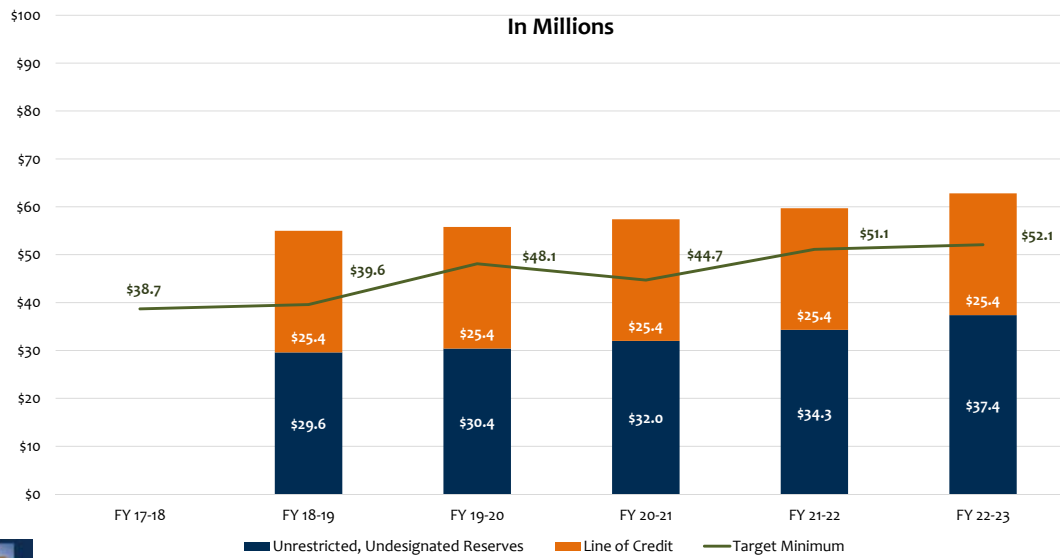
- Control and reduce administrative, operating and maintenance costs where possible:
 - Cost reductions included in rate proposal and reflected in two-year budget:
 - Savings through efficiencies, implementing Solar power for Water operations \$800K per year
 - System operations reductions in Water Fund – FY 18/19 - \$411k; FY 19/20 - \$65k
 - Professional Services – FY 18/19 - \$156k; FY 19/20 - \$6k
 - Production & Chemical Costs – FY 18/19 - \$150k
 - Misc. Other Costs (travel/meeting, training, supplies, property management) – FY 18/19 - \$105k; FY 19/20 - \$59k



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PROJECTED – WATER UNDESIGNATED CASH



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WATER CONSERVATION SURCHARGE



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WATER CONSERVATION SURCHARGE OVERVIEW

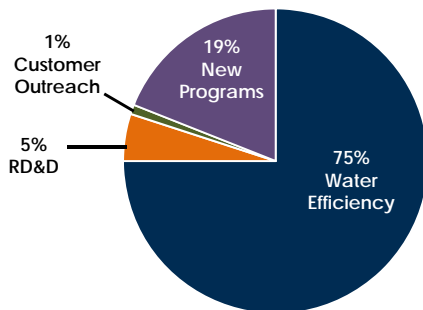
- Passed by City Council – 2004
 - 1.5% min. charge on all water sales
 - Funds water conservation programs
- Renewed by City Council – 2014
 - RPU offers 10 residential and 6 commercial water conservation programs



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WATER CONSERVATION FUND BUDGET



- **Water Efficiency**
 - 9 residential and commercial rebates, including turf replacement
 - Audits and performance-based programs
- **New Programs**
 - Future program development, including direct installations, waterwise gardens, enhanced rebates, regional partnerships and programs
- **Research, Design & Development**
 - Water Innovations Grant Program
- **Customer Outreach**
 - Community education



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