



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: JUNE 11, 2018

ITEM NO: 17

SUBJECT: APPROVAL OF ELECTRIC RATES FOR FISCAL YEARS 2018/19 THROUGH 2022/23, EFFECTIVE JANUARY 1, 2019

ISSUES:

Consider approval of electric rates for fiscal years 2018/19 through 2022/23, effective January 1, 2019 and January 1 of every year thereafter.

RECOMMENDATIONS:

That the Board of Public Utilities adopt a resolution approving and establishing the 2018-2022 Electric Rates with an effective date of January 1, 2019, and January 1 of every year thereafter.

BACKGROUND:

On May 14, 2018, the Board of Public Utilities (Board) conducted a public hearing, adopted a resolution establishing the 2018-2022 Electric and Water Rules and Rates, recommended that the City Council adopt a resolution approving the 2018-2022 Electric and Water Rules and Rates, and recommended that the City Council approve changes to the Sharing Households Assist Riverside's Energy Program and Energy Saving Assistance Program.

On May 22, 2018, the City Council approved the Board's recommendations, with one change: that the electric rates take effect on January 1, 2019, rather than on July 1, 2018. Under the City of Riverside City Charter, the Board is authorized to establish electric and water utility rates subject to the approval of the City Council. Board approval of the revised 2018-2022 electric rates is now required for this change to the original rate proposal as adopted by the Board to take effect.

DISCUSSION:

The Board established a five-year (fiscal years 2018/19 through 2022/23) electric rate plan that will result in a five-year system average annual rate increase of 3.0%. Changing the implementation of the first year of the rate plan from July 1, 2018 to January 1, 2019 and January 1 of every year, thereafter will result in a \$25 million or 1.5% in reduction of revenues over the five year plan for the electric utility. The benefit of delaying the electric rate plan implementation is to avoid rate shock for our customers during the summer months when electricity usage is usually highest. In addition, the delay staggers the water and electric rate increases so customers aren't charged both all at once.

Staff has reviewed the proposed change to the rate plan and believes that the harm of reduced revenues is sufficiently offset by the benefit to electric utility customers of delaying the rate increase six months.

PROPOSED NEXT STEPS

Approval of Delay of Electric Rate Implementation – Board of Public Utilities	June 11, 2018
New Electric Rates Effective	January 1, 2019

FISCAL IMPACT:

The fiscal impact of a six-month delay in implementing the electric rate plan is approximately \$25 million over the 5-year plan or 1.5% reduction in total revenues. The impact in the two-year proposed budget for FY 2018-2020 represents approximately \$9.7 million. To offset the reduced revenues to the two-year budget, staff will reduce operating costs by \$2.5 million (reduced general fund transfer of \$540,000 and debt financing costs of \$2 million), delay/reduce electric capital projects by \$3.6 million, and utilize Electric Fund unrestricted, undesignated reserves of \$3.6 million over the two year period. In addition, staff will continue to search for additional operational efficiencies and cost savings to minimize impacts to capital spending and use of reserves.

Prepared by: Laura M. Nomura, Utilities Assistant General Manager/Finance & Administration
Approved by: Todd L. Jorgenson, Interim Utilities General Manager
Approved by: Al Zelinka, City Manager
Approved as to form: Gary G. Geuss, City Attorney

Certifies availability
of funds: Laura M. Nomura, Utilities Assistant General Manager/Finance & Administration

Attachments:

1. City Council Minutes
2. City Council Resolution No. 2018-02
3. Presentation