



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: NOVEMBER 26, 2018

ITEM NO: 13

SUBJECT: TRANSITIONAL WATER SERVICE AGREEMENT BETWEEN VAN BUREN GOLF, LLC AND THE CITY OF RIVERSIDE FOR PURPOSE OF PROVIDING A TEN-YEAR TRANSITION TO REVISED RATE SCHEDULE WA-10 RECYCLED WATER SERVICE THROUGH JUNE 30, 2028.

ISSUE:

Recommend that the City Council approve the Transitional Water Service Agreement between Van Buren Golf, LLC and the City of Riverside to provide retail recycled water service for a ten-year transition, in order to reduce the cost impacts in transitioning to the revised rate Schedule WA-10 Recycled Water Service through June 30, 2028.

RECOMMENDATIONS:

That the Board of Public Utilities recommend that the City Council:

1. Approve the Transitional Water Service Agreement with Van Buren Golf, LLC, providing a ten-year transition to the revised rate Schedule WA-10 Recycled Water Service through June 30, 2028; and
2. Authorize the City Manager, or his designee, to execute the Transitional Water Service Agreement with Van Buren Golf, LLC, including making minor, non-substantive changes, to sign all documents and instruments necessary to complete the transaction, and to execute amendments.

BACKGROUND:

Van Buren Golf, LLC (Van Buren Golf) has received recycled water from the City of Riverside's Regional Water Quality Control Plant (RWQCP) since 1997. Van Buren Golf partnered with the City of Riverside (City) to implement the use of recycled water and assisted in the early stages of development of the recycled water infrastructure and distribution system. Van Buren Golf received recycled water service under the Riverside Public Utilities (RPU) Schedule WA-10 – Recycled Water Service (Schedule WA-10).

On May 22, 2018, the Riverside City Council adopted a five-year water rate plan for RPU effective July 1, 2018. As part of the rate proposal process, RPU undertook a cost-of-service study and determined that rates were not adequately collecting all costs for service under the Schedule WA-10. In response to the cost-of-service study, RPU revised the Schedule WA-10 rate, which caused a significant increase in the projected charges for recycled water service for customers currently served by the Schedule WA-10. Under the approved water rate plan, Van Buren Golf is required to transition to the revised Schedule WA-10 rate.

DISCUSSION:

The former Schedule WA-10 was applicable to all retail recycled water service, designated as reclaimed or non-potable service for irrigation, commercial or industrial use. The prior tariffed rate under the Schedule WA-10 was \$0.80 per one-hundred cubic feet. Van Buren Golf's connection to RPU's recycled water system was installed in 1996 with a 12-inch PVC recycled water main and a 4-inch service line and 4-inch meter, which carried a \$483.08 monthly customer charge.

Staff identified during the rate planning process that Van Buren Golf would experience a substantial increase in water costs under the revised cost-of-service Schedule WA-10 rate of \$1.57 per one-hundred cubic feet. Staff also determined that the new cost-of-service Schedule WA-10 rate does not account for Van Buren Golf's past partnership with RPU and their investment in the early stages of recycled water infrastructure development. A rate analysis was completed and a meeting was scheduled with the customer to discuss potential impacts. After several meetings, the customer requested relief for the large increase. The 10-year transitional water agreement was then presented to the customer as a solution to the large initial rate increase.

Under the terms of the proposed Transitional Water Service Agreement, RPU will begin charging Van Buren Golf for water service under the terms of the Agreement retroactively to the commencement date of July 1, 2018. The Agreement gradually increases the water rate for Van Buren Golf over a 10-year term both reducing the cost impacts of the transition for Van Buren Golf and allowing RPU to recover service costs. At the completion of the Agreement, Van Buren Golf will be transitioned to the revised Schedule WA-10.

To encourage the efficient use of resources during the term of the Agreement, Van Buren Golf will be eligible to participate in all of RPU's energy efficiency programs, and RPU will increase the availability of energy efficiency rebate funding to \$100,000. Additionally, to encourage and promote the efficient use of water, Van Buren Golf will be eligible to participate in all of RPU's water-wise landscape improvement programs, and RPU will increase the availability of water-wise landscape improvement rebate funding to \$100,000 and reimburse Van Buren Golf at a rate of \$3.00 per square foot of irrigated turf removed and replaced with water-wise landscape. In exchange for these rebate benefits, Van Buren Golf will allow RPU to install signs along its property on Van Buren Avenue promoting the benefits of recycled water and water-wise landscaping.

FISCAL IMPACT:

Water service revenue based on prior usage is estimated to range from \$45,000 to \$101,000 annually during the 10-year term of the Transitional Water Service Agreement and will be collected as part of the normal billing process for RPU water customers.

Prepared by:	Daniel E. Garcia, Utilities Assistant General Manager/Resources
Approved by:	Todd L. Jorgenson, Interim Utilities General Manager
Approved by:	Al Zelinka, FAICP, City Manager
Approved as to form:	Gary G. Geuss, City Attorney

Certifies availability of funds:	Aileen Ma, Interim Utilities Assistant General Manager/Finance & Administration
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Attachments:

1. Transitional Water Service Agreement
2. Presentation