

RIVERSIDE PUBLIC UTILITIES

Customer Relations/Finance Committee

CUSTOMER RELATIONS/FINANCE COMMITTEE

DATE: JANUARY 11, 2019

ITEM NO: 2

SUBJECT: CONSIDERATION OF THE TIME PERIODS USED TO CALCULATE OVERCHARGES AND UNDERCHARGES IN ACCORDANCE WITH ELECTRIC RULE 6 AND WATER RULE 6

ISSUE:

Consider the time periods used to calculate and credit for overcharges or bill for undercharges in accordance with Electric Rule 6 and Water Rule 6.

RECOMMENDATIONS:

That the Customer Relations/Finance Committee:

1. Direct staff to schedule and conduct a public hearing to be held before the Board of Public Utilities to consider changes to Electric Rule 6 and Water Rule 6 to reduce the time periods used to calculate billing of undercharges for non-residential accounts from three years to one year;
2. Recommend that the Board of Public Utilities approve changes to Electric Rule 6 and Water Rule 6 to reduce the time periods used to calculate the billing of undercharges for non-residential accounts from three years to one year; and
3. Recommend that the City Council approve changes to Electric Rule 6 and Water Rule 6 to reduce the time periods used to calculate the billing of undercharges for non-residential accounts from three years to one year.

BACKGROUND:

Electric Rule 6 and Water Rule 6, both titled "Meter Investigations and Adjustments of Bills" (Electric and Water Rule 6), provide rules for calculating adjustments of overcharges and undercharges for electric and water service after the discovery of a billing error.

Section A.4 of Electric and Water Rule 6 establishes the following limitations on such calculations:

- a. Overcharges shall not be recomputed and credited to any account for a period in excess of one year prior to the discovery of an error, or the date the bill was questioned, whichever occurs earlier.
- b. Undercharges shall not be recomputed and billed to residential accounts for a length of time exceeding four billing periods prior to the discovery of an error.
- c. Undercharges shall not be recomputed and billed to non-residential accounts for a period in excess of three years prior to the discovery of an error.

On May 4, 2010, the City Council approved changes to Electric and Water Rule 6 that would reduce the time period used to calculate overcharges for all accounts from three years to one year to be consistent with the Riverside Municipal Code (RMC) which provides that all claims for money damages must be presented to the City within one year. This change resulted in a one-year time period for adjustments for overcharges that is no longer consistent with the three-year time period used for adjustments for undercharges of non-residential accounts. The four-month time period for adjustments for undercharges for residential accounts is also inconsistent.

On November 5, 2018, the Board of Public Utilities (Board) considered customer appeals under Electric Rule 21 by Fusion Sign and Design (Fusion) and Microflex Film Corporation (Microflex) for electric billing adjustments resulting from historical undercharges. RPU calculated the undercharges in accordance with Electric Rule 6 which currently allows undercharges for non-residential accounts to be recomputed and billed for a period of up to three years prior to discovery of an error. After the formal appeals process and discussion, the Board approved continuing the appeal of Microflex and RPU staff administratively continued the appeal of Fusion until the Board and City Council had the opportunity to review Electric Rule 6.

DISCUSSION:

Staff conducted a survey of electric and water utilities in California regarding their policies on the calculation of undercharges and overcharges. The policies of the utilities in the survey included different time periods depending on whether the date of the error was known or unknown. The results of the survey reflect that utility policies for undercharges vary by utility and are not consistent between overcharges and undercharges for residential and commercial customers. The results of the survey are summarized below:

Period of Calculation	Utility Policy for Overcharges		Utility Policy for Undercharges	
	Residential	Commercial	Residential	Commercial
If due to Utility, no adjustment, correct going forward			1	1
No adjustment, correct going forward			2	2
3 Months			4	2
3 Months (if unknown date of error)			1	2
4 Months	1		1 (RPU)	
6 Months	1	1	3	3
6 Months (if unknown date of error)	2	2	1	1
1 Year	2 (RPU)	2 (RPU)	1	1
1 Year (if unknown date of error)	1	1		
2 Years	1	1		
3 Years	3	4	1	4 (RPU)
3 Years (if unknown date of error)	1	1	1	1
4 Years	1	1		
From date of error	6	6	3	3
Total	19	19	18	19
Note: Some utilities may have different policies for known and unknown dates of error. RPU= Riverside Public Utilities current policy.				

Non-residential customers are typically more cognizant of their monthly bills for electric and water consumption and fluctuations in bill and usage amounts than residential customers. This is because utility costs are direct business expenses, are typically much higher than residential bills, and are impacted by the businesses' operations. Undercharges resulting from discovery of an error for non-residential customers are often much higher than for residential customers.

Currently, the time period used for calculating overcharges is limited to one year and is consistent with the RMC which provides that all claims for money damages must be presented to the City within one year. Reducing the time period used for calculating undercharges for non-residential customers from three years to one year will provide consistency with the time period for overcharges and lessen the burden of repayment for non-residential customers. If not collected, undercharges for electricity and water consumed result in an under-collection of costs that must be borne by other rate-paying customers.

The impacts of reducing the calculation of undercharges to one year will reduce the amounts due from the current customers under appeal. The undercharges for Fusion will change from \$67,838 to \$29,882, a reduction of \$37,956; and undercharges for Microflex will change from \$33,486 to \$15,793, a reduction of \$17,693. This will result in a total reduction of \$55,649 of undercharges for the two customers under appeal.

FISCAL IMPACT:

The fiscal impact of the recommended action pertaining to the two customer appeals is a total decrease in revenue of \$55,649.

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Approved as to form: Gary G. Geuss, City Attorney

Certifies availability
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Attachments:

1. Electric Rule 6 and Water Rule 6 (redlined with proposed changes)
2. Electric Rule 6 and Water Rule 6 (clean with proposed changes)
3. Minutes for the November 5, 2018 Board of Public Utilities Meeting
4. Presentation