



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL** **DATE: APRIL 16, 2019**

**FROM: PUBLIC UTILITIES DEPARTMENT** **WARD: ALL**

**SUBJECT: PROPOSED CHANGES TO THE TIME PERIODS USED TO CALCULATE OVERCHARGES AND UNDERCHARGES FOR CUSTOMER BILLS IN ELECTRIC RULE 6 AND WATER RULE 6**

## **ISSUE:**

That the City Council adopt a resolution approving the changes to the time periods used to calculate overcharges and undercharges for customer bills in Electric Rule 6 and Water Rule 6 and apply the changes, upon adoption, to pending appeals filed by Fusion Sign and Design and Microflex Film Corporation.

## **RECOMMENDATIONS:**

That the City Council:

1. Adopt a resolution approving the changes to Electric Rule 6 and Water Rule 6 that include reducing the time periods used to calculate billing of undercharges for non-residential accounts from three (3) years to six (6) monthly billing periods, increasing the time periods used to calculate billing of undercharges for residential accounts from four (4) billing periods to six (6) monthly billing periods, change the terminology of the time period used to calculate overcharges from one (1) year to twelve monthly billing periods, and changing the period used to calculate billing of overcharges for fast meters to be consistent with the monthly billing period for general overcharges; and
2. Apply the changes to Electric Rule 6, upon adoption, to the pending appeals filed by Fusion Sign and Design and Microflex Film Corporation, reducing the time period of the undercharges from three (3) years to six (6) monthly billing periods.

## **BOARD OF PUBLIC UTILITIES RECOMMENDATIONS:**

After the requisite public hearing on March 11, 2019, the Board of Public Utilities (Board), with six members present, unanimously voted to adopt a resolution establishing the changes to the Electric Rule 6 and Water Rule 6 that include reducing the time periods used to calculate billing of undercharges for non-residential accounts from three (3) years to six (6) monthly billing periods, increasing the time periods used to calculate billing of undercharges for residential accounts from four (4) billing periods to six (6) monthly billing periods, change the terminology of the time period used to calculate overcharges from one (1) year to twelve monthly billing periods, and changing the period used to calculate billing of overcharges for fast meters to be consistent with the monthly

billing period for general overcharges. The Board also recommended that the City Council adopt a resolution approving the changes to Electric Rule 6 and Water Rule 6 and apply the changes to Electric Rule 6, if adopted, to the pending appeals filed by Fusion Sign and Design and Microflex Film Corporation.

## **BACKGROUND:**

Electric Rule 6 and Water Rule 6, both titled “Meter Investigations and Adjustments of Bills” (Electric and Water Rules 6), provide rules for calculating adjustments to customer bills for overcharges and undercharges, to be refunded to or collected from customers, for electric and water service after the discovery of a billing error.

Section A.4 of the current Electric and Water Rules 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 (1) 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 (4) 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 (3) years prior to the discovery of an error.

On May 4, 2010, the City Council approved changes to Electric and Waters Rule 6 that would reduce the time period used to calculate overcharges for all accounts from three (3) years to one (1) 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 (1) 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-billing-period time period for adjustments for undercharges for residential accounts is also inconsistent.

On November 5, 2018, the 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. Riverside Public Utilities (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 (3) 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.

The terms “month” and “billing period” are similar for discussion purposes, since all customers (with the exception of wind machines) are billed based on monthly billing periods, which typically are on a 30-day billing cycle. The term “billing period” is currently used in Electric and Water Rules 6 to define the period for residential undercharges. The term “monthly billing period” is proposed to provide clarification and improved customer understanding.

**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
<b>Total</b>	<b>19</b>	<b>19</b>	<b>18</b>	<b>19</b>
Note: Some utilities may have different policies for known and unknown dates of error. RPU= Riverside Public Utilities current policy.				

Currently, the time period used for calculating overcharges is limited to one (1) year and is consistent with the RMC which provides that all claims for money damages must be presented to the City within one (1) year. There are no proposed changes to the time period for overcharges because of the consistency with the RMC. However, staff recommends changing the terminology from one (1) year to 12 monthly billing periods to be consistent with the proposed terminology for undercharges.

However, changing the time periods for undercharges for both residential and non-residential customers provides consistency for calculating undercharges for all customer classes. Reducing the time period used for calculating undercharges for non-residential customers from three (3) years to six (6) monthly billing periods lessens the burden of repayment for non-residential customers.

Staff recommends applying these changes to Electric Rule 6 to the pending appeals filed by Fusion and Microflex. The undercharges for Fusion will change from \$67,838 to \$12,443, a reduction of \$55,395; and undercharges for Microflex will change from \$33,486 to \$8,116, a reduction of \$25,370. This will result in a total reduction of \$80,765 of undercharges for the two (2) customers under appeal. These undercharges will be added to each customer bill for payment by the respective customer.

The proposed changes also include changing the time period for calculating overcharges for fast meters under Electric and Water Rules 6 Section C.2 to be consistent with the time period for calculating general overcharges at one (1) year and the RMC.

RPU has provided the appropriate notification of the public hearing by publishing the notice twice prior the public hearing. The proposed changes to Electric and Water Rules 6 will become effective following adoption by the Board and approval by the City Council.

**FISCAL IMPACT:**

Under the proposed prospective Electric and Water Rules 6 changes, the collection of undercharges from the two (2) appeals (Fusion and Microflex) is expected to change from \$101,324 to \$20,559. There is no known fiscal impact associated with the calculation of future undercharges.

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Certified as to  
availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer  
Approved by: Al Zelinka, FAICP, City Manager  
Approved as to form: Gary G. Geuss, City Attorney

**Attachments:**

1. City Council Resolution with Board Resolution attached (including revised Electric Rule 6 and Water Rule 6)
2. Recommended Electric Rule 6 and Water Rule 6 (red-line and clean)
3. Notice of Public Hearing
4. Draft Minutes for the 3/11/19 Meeting of the Board of Public Utilities
5. Presentation