



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JANUARY 5, 2021
FROM: PUBLIC UTILITIES DEPARTMENT WARDS: ALL
SUBJECT: ELECTRIC AND WATER UTILITY RATE PLAN UPDATE FOR THE RESULTS OF FISCAL YEAR 2019-20 AND POTENTIAL DELAY OF THE IMPLEMENTATION OF THE THIRD YEAR OF THE ELECTRIC RATE PLAN

ISSUE:

Receive the annual electric and water utility rate plan update for the results of Fiscal Year 2019-20 and consider delaying the implementation of the third year of the electric rate plan.

RECOMMENDATIONS:

That the City Council:

1. Receive the annual electric and water utility rate plan update for the results of Fiscal Year 2019-20; and
2. Consider directing the City Manager to delay the implementation of the third year of the electric rate plan until March 31, 2021.

BOARD OF PUBLIC UTILITIES RECOMMENDATION:

On December 22, 2020, the Board of Public Utilities (Board), with three members absent, unanimously voted to receive the annual electric and water utility rate plan update for the results of Fiscal Year 2019-20 and recommended the City Council direct the City Manager to delay the implementation of the third year of the electric rate plan until March 31, 2021. The minutes of the meeting were not available at the time of the agenda publication.

BACKGROUND:

On May 14, 2018, the Board conducted a public hearing to receive public input related to the water and electric utility five-year rate proposal. With all members present, the Board unanimously recommended that the City Council approve the 2018-2023 Electric and Water Rules and Rates.

On May 22, 2018, the City Council approved the proposed utility rates with water rate increases effective July 1, 2018 and electric rate increases effective January 1, 2019. Additionally, the City

Council directed staff to provide an annual review of the adopted rates.

The Board and City Council received the first annual electric and water utility rate plan update for Fiscal Year (FY) 2018-19 on January 13, 2020 and February 11, 2020. The annual rate plan update outlined information about the operating performance, financial condition, and capital improvement projects of RPU for the FY 2018-19.

The Riverside Public Utilities Department (RPU) is responsible for the management of the City-owned water and electric utilities. It provides high quality and reliable services to over 111,000 metered electric customers and approximately 66,000 metered water customers throughout the City of Riverside. The electric and water utility funds are self-supporting enterprise funds that provide services for a fee. The Board has the authority to adopt and the City Council has the authority to approve rate changes when necessary to ensure the continued recovery of costs for services and to secure reinvestment into the system infrastructure for long-term sustainability.

DISCUSSION:

During FY 2019-20, RPU implemented the second year of the water rate plan on July 1, 2019, and the second year of the electric rate plan on January 1, 2020. The five-year annual rate plan is listed below.

		Years 1-5	
Electric	January 2019		2.95%
	January 2020		3.0%
	January 2021		3.0%
	January 2022		3.0%
	January 2023		3.0%
Water	July 2018		4.50%
	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.

FY 2019-20 was an unprecedented year as the City of Riverside and RPU continued Local Emergency due to COVID-19 which began in March 2020. The Local Emergency resulted in the approval of an Emergency Budget for FY 2020-21 and has also delayed the annual audit and finalizing the FY 2019-20 financial information. Final FY 2019-20 financial information will be presented to the Board in January 2021 with the Riverside Public Utilities 2020 Financial Report.

THIRD YEAR OF THE ELECTRIC RATE PLAN

Due to the unprecedented Local Emergency due to COVID-19, the City Council may elect to direct the City Manager to delay the implementation of the third year of the electric rate plan until March 31, 2021 (approximately one year from the date the City declared a state of emergency) which also coincides with the development of the Priority Based Budget for the following fiscal year.

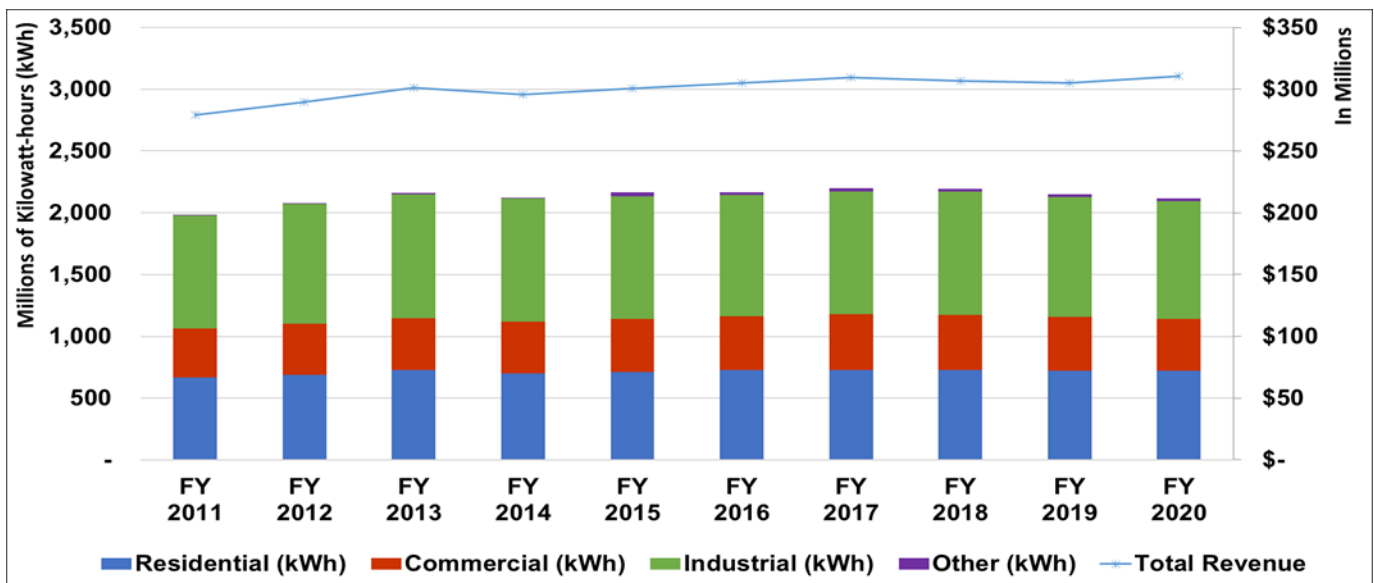
ELECTRIC FUND

The Electric Utility maintains and operates 99 circuit miles of transmission lines, 1,351 circuit miles of distribution lines, 14 substations, and three (3) generating plants totaling 270 megawatts. Charges for service through rates are the primary source of funding for operations and funds a portion of the capital improvement program. The capital improvement program is funded by a combination of bond proceeds, rates, reserves, and developer fees.

Electric rates for customers are comprised of a fixed monthly customer charge, a reliability charge based on the customers’ energy consumed or service plan size, a network access charge, a commercial demand charge, and energy charges that are based on the quantity of energy consumed by the user. For FY 2019-20, the average residential customer experienced a \$3.08 increase in their monthly bill with electric rate increases effective January 1, 2020.

Preliminary Electric Utility Revenues:

The table below provides a historical view of energy consumption, which illustrates a 1.7% decrease in energy consumption for FY 2019-20 from the previous year. The fourth quarter of FY 2019-20 includes the impacts of the Local Emergency due to COVID-19 which saw an increase in residential consumption offset by a decrease in commercial and industrial consumption. The increase in FY 2019-20 retail sales from prior year of 1.8% includes the impacts of the first six (6) months of the second year of the rate plan effective January 1, 2020 and offset by the decrease in energy consumption.



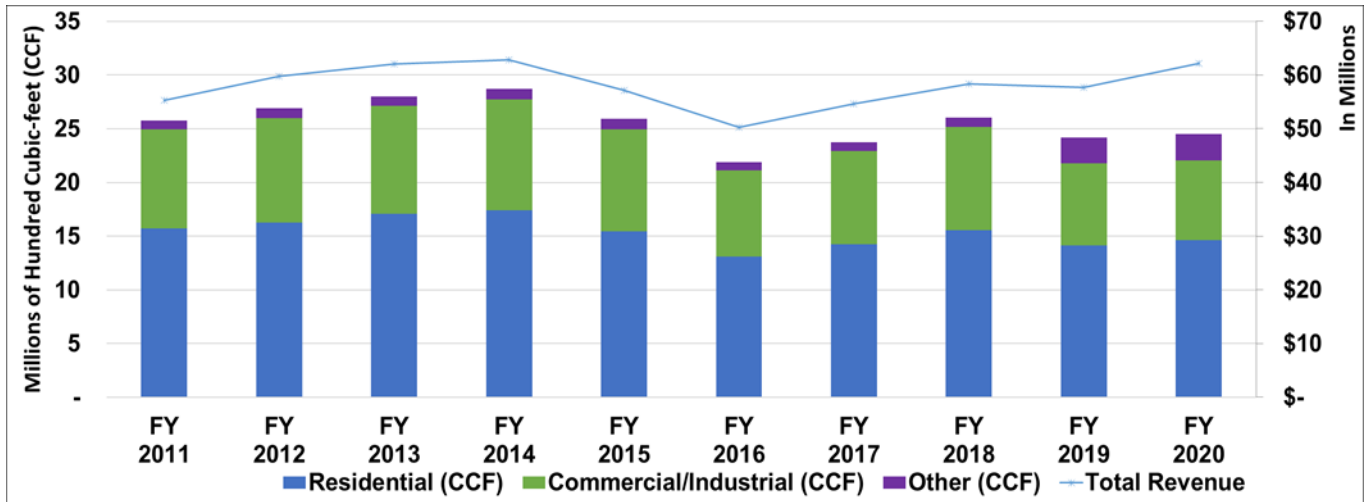
WATER FUND

The Water Utility maintains and operates 1,004 miles of pipeline, 56 wells, 16 active reservoirs, and 6 treatment plants. Charges for service through rates are the primary source of funding for operations and is also funds a portion of the capital improvement program. The capital improvement program is funded by a combination of bond proceeds, rates, reserves, and developer fees.

Water rates for customers are comprised of a fixed monthly customer charge based on the size of the meter and a commodity charge that is based on the quantity of water consumed by the user. For FY 2019-20, the average residential customer experienced a \$3.14 increase in their monthly bill.

Preliminary Water Utility Revenues:

Weather significantly impacts retail sales for the utility and during the period of November 2019 through April 2020, Riverside experienced a significant amount of rainfall that reduced the overall demand for water. The table below provides a historical view of water sales, which illustrates a 1.5% increase in water usage for FY 2019-20 from the previous year which also experienced higher than typical rainfall. The increase in retail sales from prior year of 7.7% is higher than the increase in usage primarily due to the impacts of the second year of the rate plan effective July 1, 2019.



FISCAL IMPACT:

The fiscal impact of delaying the implementation of the third year of the electric rate plan until March 31, 2021 is an estimated \$2.1 million reduction in utility revenues in FY 2020/21, an estimated \$114,000 reduction in General Fund Utility Tax Revenue in FY 2020/21, and an estimated \$241,500 reduction in the General Fund Transfer in FY 2021/22.

Prepared by: Todd M. Corbin, Utilities General Manager
 Certified as to availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer
 Approved by: Al Zelinka, FAICP, City Manager
 Approved as to form: Kristi J. Smith, Interim City Attorney

Attachment: Presentation