



IMPLEMENTATION OF THE THIRD YEAR OF THE ELECTRIC RATE PLAN

Riverside Public Utilities

Board of Public Utilities
April 19, 2021

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BACKGROUND

On May 22, 2018, City Council approved the electric and water five-year rate plans:

	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%

On March 23, 2021, City Council reviewed the implementation date for the Third Year of the Rate Plan and referred this discussion back to the Board of Public Utilities for implementation of the third year of the electric rate plan

Based on system average, rate increases vary by customer class and consumption levels.

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THIRD YEAR OF THE ELECTRIC RATE PLAN

1. On December 22, 2020, due to impacts of COVID-19, the Board of Public Utilities voted to forward a recommendation to City Council to delay the implementation of the third year of the electric rate plan until March 31, 2021.
2. On January 5, 2021, City Council voted to direct the City Manager to delay the implementation of the third year of the electric rate plan until March 31, 2021 and directed staff to provide a report on customer delinquencies.
3. On March 23, 2021, City Council voted to receive and file a report on utility customer account delinquencies; and refer to the Board of Public Utilities for recommendation on the implementation of a restructured three percent increase of the electric rate plan, per Charter Section 1202(e).



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DISCUSSION

1. On May 28, 2018, the electric rate plan increases were approved.
2. A change to the percentage of the rate increase is expected to necessitate a revised electric rate plan.
3. Staff recommends a discussion to restructure the implementation date only of the approved third year electric rate and begin the discussion to mitigate the impact of the reduced electric revenue for FY20/21.



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ACCOUNT DELINQUENCIES

1. On March 17, 2020, City Council unanimously voted to direct the City Manager to **suspend discontinuance of water, electric, sewer and refuse utility service for nonpayment** during the declared COVID-19 pandemic.
2. Utility customer accounts receivable and delinquencies have increased from 15% or \$30.3M in March 2020 to 47% or \$44.6M in January 2021.

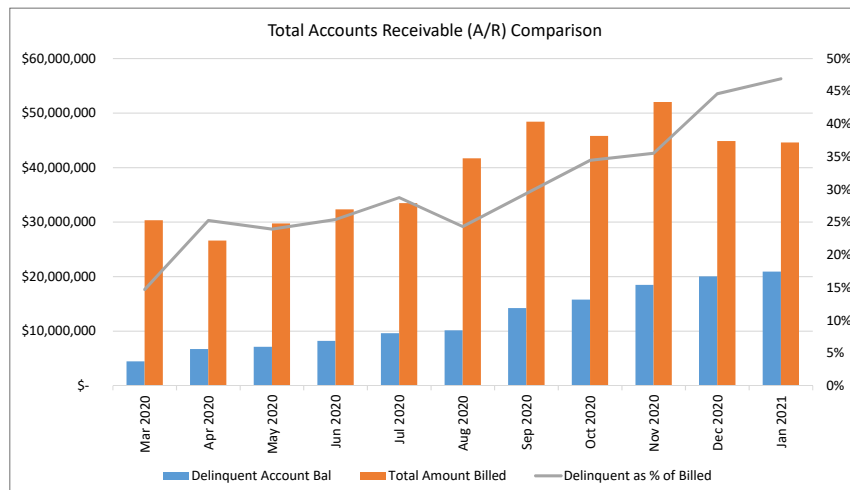
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ACCOUNTS STATUS

ALL SERVICES (Electric, Water, Sewer & Refuse)



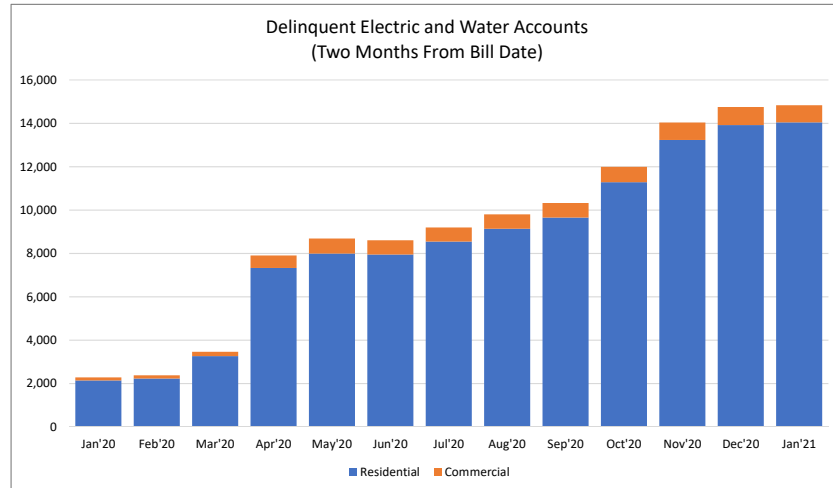
Notes: 1) Updated through January 26th, 2021.
2) Delinquent % Accounts Receivable is the delinquent balance divided by the total amount billed.

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NUMBER OF ACCOUNTS PAST DUE



Notes: 1) January 2021 customer count as of 1/26/21.
2) Includes active delinquent accounts.

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CUSTOMER ASSISTANCE PROGRAMS

1. Suspended utility service shut-offs for nonpayment
2. Residential Assistance Programs
<http://www.riversidepublicutilities.com/residents/rebates-assistance.asp>
 - a. COVID - Emergency Recovery Assistance Program (ERAP) - residential electric customers with a one-time \$400 credit towards their utility bill
 - b. SHARE –assists qualified active residential customers with reduced account deposits and monthly credits for electric and water bills
3. Business Assistance Programs (ended 3/31/21)
 COVID - Small Business Deposit Credit <https://riversideca.gov/sbdc>
4. Federal and State COVID Relief
 Rental Assistance Aid includes utility bill assistance

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ESTIMATED CUSTOMER COSTS

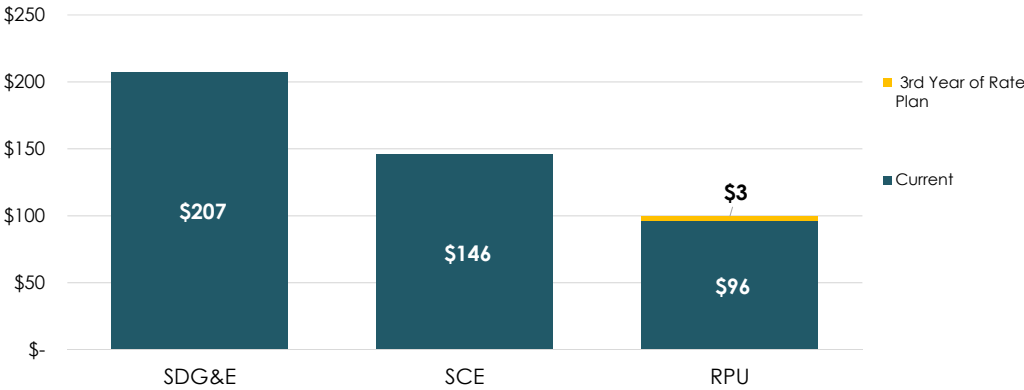
- 1. In the second year of the electric plan, effective January 1, 2020, the average residential customer experienced an additional monthly cost of \$3.08 for electric service.
- 2. In the third year of the electric plan, not yet implemented, the average residential customer is estimated to experience an additional \$3.22* per month for electric service.

*Based on the average residential monthly electric bill of approximately \$96-\$100



RPU RATE COMPARISON

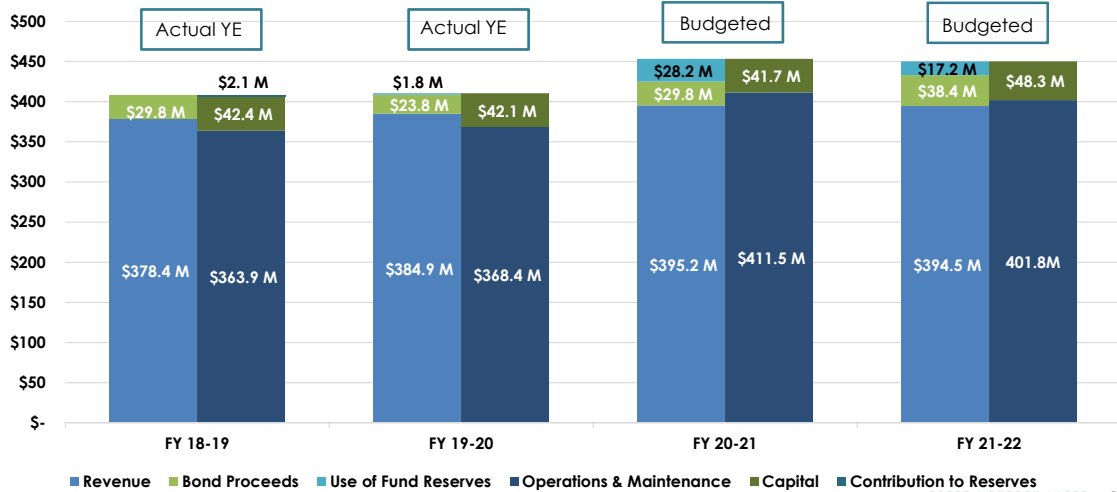
Average residential customer at 600 kWh per month



SDGE- As of April 1, 2021 with rates effective March 1, 2021
SCE- As of April 1, 2021 with rates effective February 1, 2021
RPU- Rates effective January 1, 2020 with delayed implementation of 3rd year of rate plan effective January 1, 2021.



ELECTRIC FUND-REVENUES AND EXPENSES



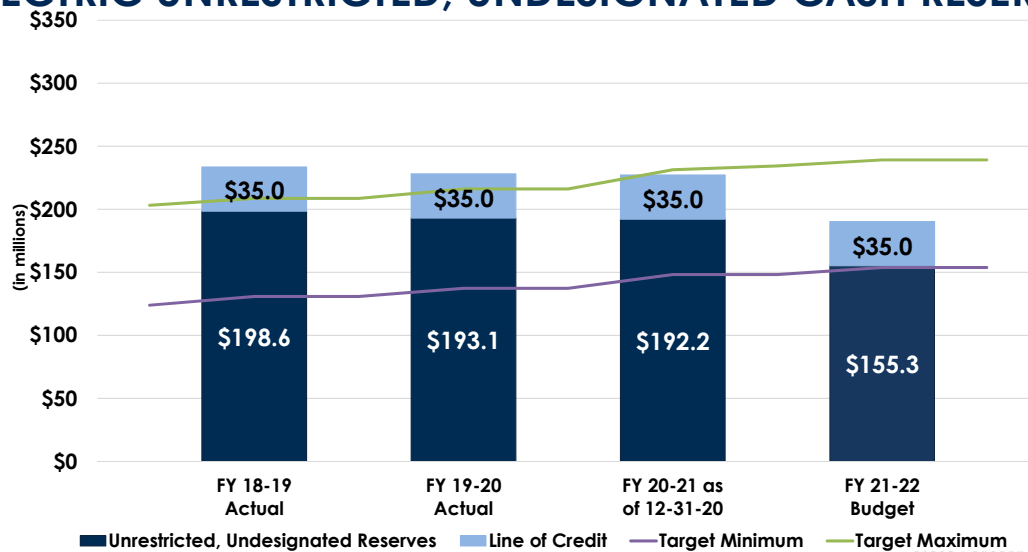
* Excludes Electric Public Benefits Fund.

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ELECTRIC UNRESTRICTED, UNDESIGNATED CASH RESERVES



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USE OF ELECTRIC FUND RESERVES

Five-year rate plan includes planned use of reserves to keep rate increases as low as possible:

- a) 2018 - Original plan including the use reserves falling just below target minimum levels (inclusive of the line of credit) by the end of the five-year rate plan
- b) Line of credit approved and included in reserve policy to combine with reserves when applying to target minimum levels, resulting in less cash reserves required

FUND RESERVES & BOND RATINGS

1. Reserves and liquidity are an important component of the overall credit analysis that rating agencies and investors perform.
2. Reserves and Debt Service Coverage are two factors of a rating that the City has control over.
3. The potential impact of a downgrade in credit rating is analyzed in the table below:

Potential Drop in Credit Rating Impact

Issue New Debt (per \$195m)	\$115k per year
*Renewal of Line of Credit (LOC)	\$158.5k per year

*Renewal of LOCs in three years could increase that cost as less banks will be interested in issuing LOC.

ESTIMATED ELECTRIC FUND REVENUE IMPACTS

1. Delaying the implementation of the third year of the electric rate plan from January 1, 2021 to April 1, 2021 is estimated to reduce revenues by **\$2.1M**.
2. Delaying the implementation of the third year of the electric rate plan from January 1, 2021 to July 1, 2021 is estimated to reduce revenues by an additional **\$2.3M** or a total of **\$4.4M**

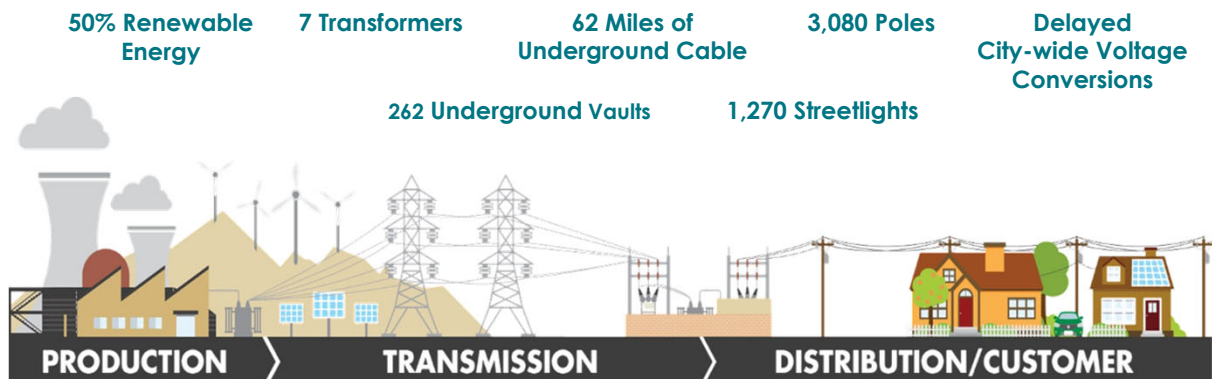
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IMPLEMENTING PROPOSED 10-YEAR ELECTRIC PLAN

Partially Funded by Five-Year Rate Plan



Graphic from 1/18/2018 Joint Workshop 5 year rate presentation

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RECOMMENDATIONS

That the Board of Public Utilities:

1. Receive a report on utility year-to-date revenues and customer delinquency rates;
2. Consider the impacts of a recommendation to City Council to delay the implementation of the Third Year of the Electric Rate Plan from January 1, 2021 to July 1, 2021, with an estimated electric fund revenue reduction of \$4.4M, to meet Fiscal Year 2021/2022 budget assumptions; and
3. Direct staff to return to the Board with additional information and discussion regarding potential mitigation measures to address the estimated electric fund revenue reduction for Fiscal Year 2020/2021 and further delays impacting Fiscal Year 2021/2022 budget funding.