

FISCAL IMPACT OF ALTERNATIVE RATE SCENARIOS

Riverside Public Utilities

Board of Public Utilities

July 10, 2023

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BACKGROUND

1. On June 12, 2023, the Board approved a recommendation to the City Council to conceptually approve both the Water and Electric Five-Year Rate plans.
2. At the meeting, it was requested that staff return to the Board with alternative rate plan scenarios using the same rate design assumptions and underlying analysis in the respective cost of service analysis reports.



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PROPOSED RESIDENTIAL 5 YEAR ELECTRIC RATE PLAN



WATER: \$0.15 Per Day



ELECTRIC: \$0.21 Per Day



REFUSE: + \$0.09 Per Day

\$0.45 Per Day

or

\$13.50 Per Month



Average rate increase per year for 5 years

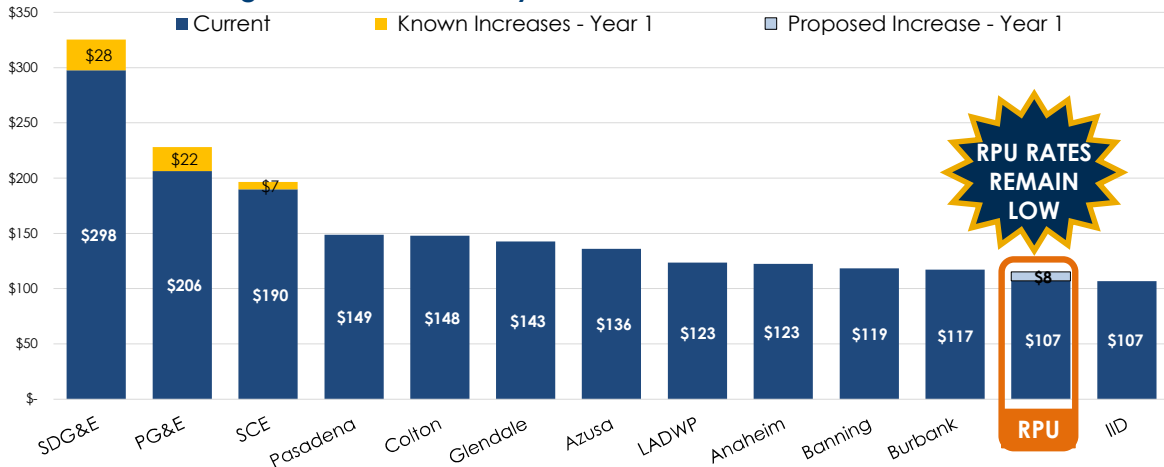


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ELECTRIC RATE PLAN COMPARISON

Average Residential Monthly Bill at 600 kWh Per Month – Year One



RPU = 112K Service Connections



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THE WHY

INCREASED POWER SUPPLY COSTS



Increased **construction/equipment costs**



Costs for natural gas have **doubled over the last two years**, due to increased liquid natural gas exports and restricted capacity on western interstate gas pipelines.



Costs for CAISO Market energy have **gone up 60%-80%**, due to increasing natural gas costs and supply-chain challenges delaying the development of new renewable resources.

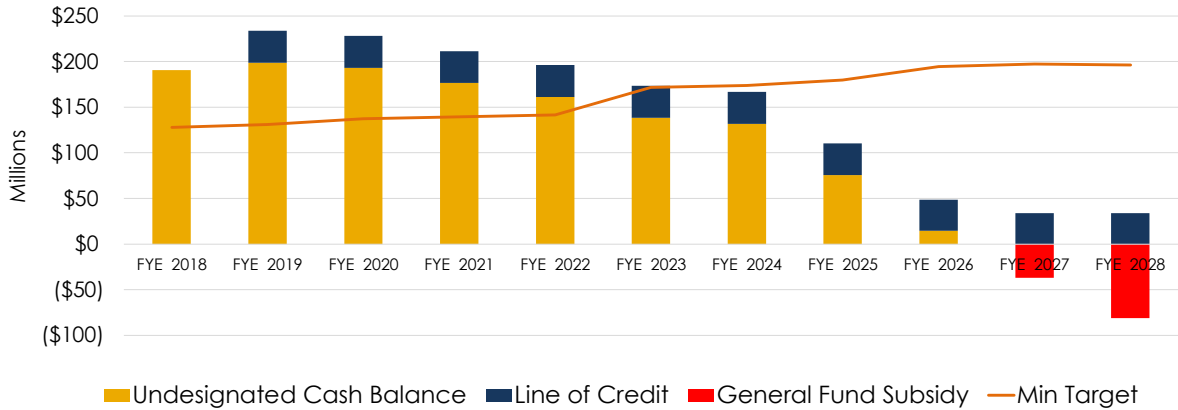


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THE WHY

Undesignated Reserves **WITHOUT** Rate Increases



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ELECTRIC 5-YEAR RATE PLAN SCENARIO 5% SYSTEM AVERAGE

Customer Class	Customers	Year 1 % Increase	Year 2 % Increase	Year 3 % Increase	Year 4 % Increase	Year 5 % Increase	Compound Annual Growth Rate
Residential (3 Tiers)	99,718	5.1%	5.1%	5.0%	5.8%	6.0%	29.9%
Commercial Flat (2 Tiers)	11,015	1.8%	2.0%	2.1%	7.5%	7.3%	22.3%
Commercial Demand (2 Tiers)	988	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Industrial TOU (3 periods)	622	4.2%	4.7%	4.5%	10.8%	10.8%	39.9%

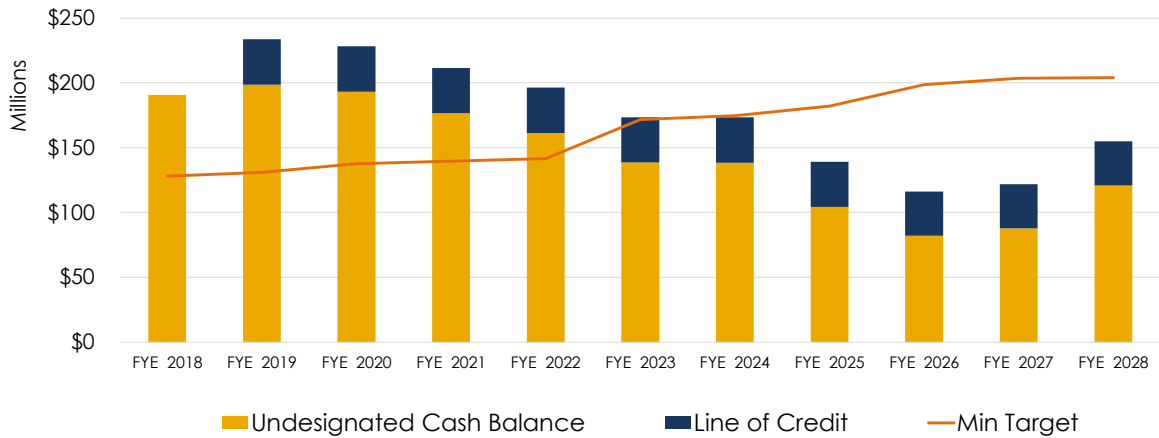
Note: The increases per year are estimates for example purposes only and were created by adjusting from the proposed 5-year rate plan rate increases.⁷



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ELECTRIC 5-YEAR RATE PLAN SCENARIO 5% SYSTEM AVERAGE

Undesignated Reserves WITH 5% Annual Rate Increases



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ELECTRIC 5-YEAR RATE PLAN SCENARIO 6.25% SYSTEM AVERAGE

Customer Class	Customers	Year 1 % Increase	Year 2 % Increase	Year 3 % Increase	Year 4 % Increase	Year 5 % Increase	Compound Annual Growth Rate
Residential (3 Tiers)	99,718	6.3%	6.3%	6.3%	7.2%	7.5%	38.4%
Commercial Flat (2 Tiers)	11,015	2.2%	2.5%	2.7%	9.4%	9.1%	28.3%
Commercial Demand (2 Tiers)	988	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Industrial TOU (3 periods)	622	5.3%	5.9%	5.6%	13.4%	13.4%	51.5%

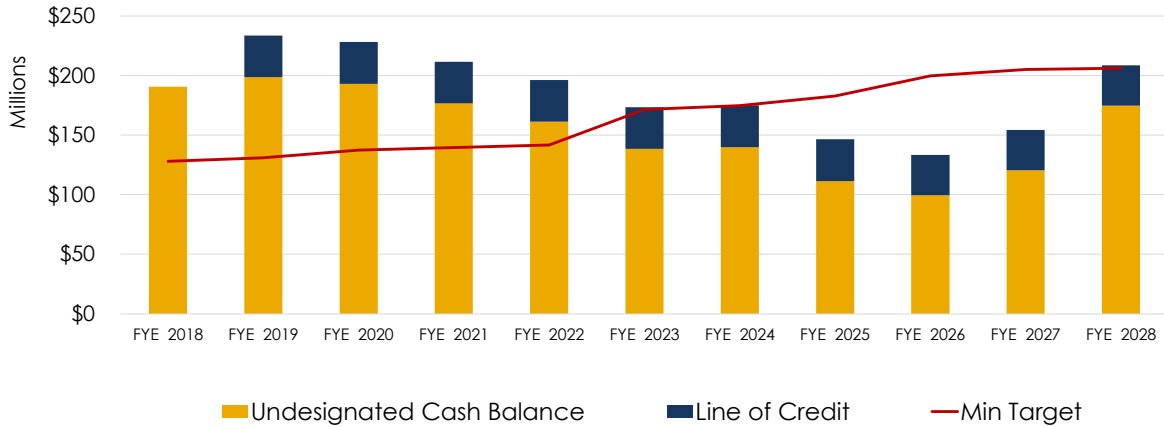
Note: The increases per year are estimates for example purposes only and were created by adjusting from the proposed 5-year rate plan rate increases.⁹



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ELECTRIC 5-YEAR RATE PLAN SCENARIO 6.25% SYSTEM AVERAGE

Undesignated Reserves WITH 6.25% Rate Increases



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PROPOSED ELECTRIC 5-YEAR RATE PLAN

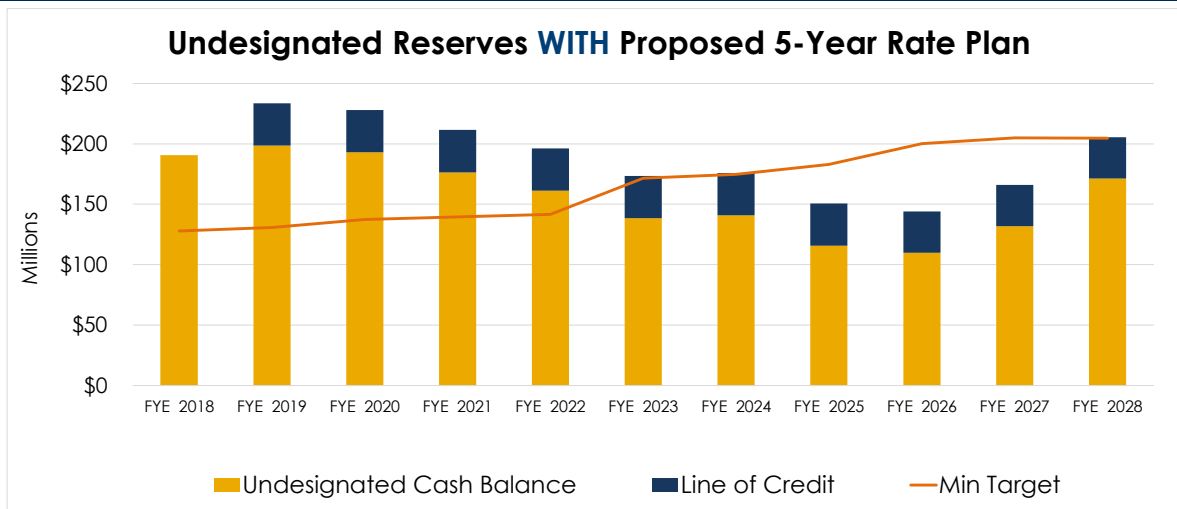
Customer Class	Customers	Year 1 % Increase	Year 2 % Increase	Year 3 % Increase	Year 4 % Increase	Year 5 % Increase	Compound Annual Growth Rate
Residential (3 Tiers)	99,718	7.1%	7.1%	7.0%	2.3%	2.4%	28.5%
Commercial Flat (2 Tiers)	11,015	2.5%	2.8%	3.0%	3.0%	2.9%	15.1%
Commercial Demand (2 Tiers)	988	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Industrial TOU (3 periods)	622	5.9%	6.6%	6.3%	4.3%	4.3%	30.5%



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WITH PROPOSED ELECTRIC RATE INCREASE



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PROPOSED RESIDENTIAL 5 YEAR WATER RATE PLAN

-  WATER: \$0.15 Per Day
 -  ELECTRIC: \$0.21 Per Day
 -  REFUSE: + \$0.09 Per Day
- \$0.45 Per Day
or
\$13.50 Per Month



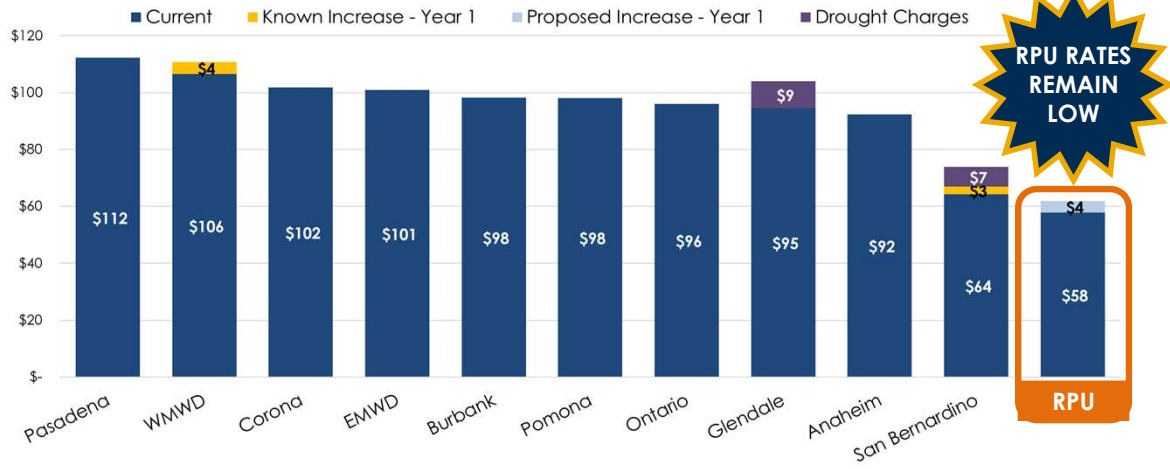
Average rate increase per year for 5 years



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WATER RATE PLAN COMPARISON

Average Residential Monthly Bill at 21 CCF Per Month – Year One



RPU = 66K Service Connections

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THE WHY



Increased **construction/equipment costs**



The State of California drought messaging and increased Citywide water efficiency have decreased water revenue without decreasing operational costs



2011 – 2017 there were no rate increases resulting in a Water Fund Balance that **doesn't meet the minimum reserve levels** set by City Council without the line of credit.

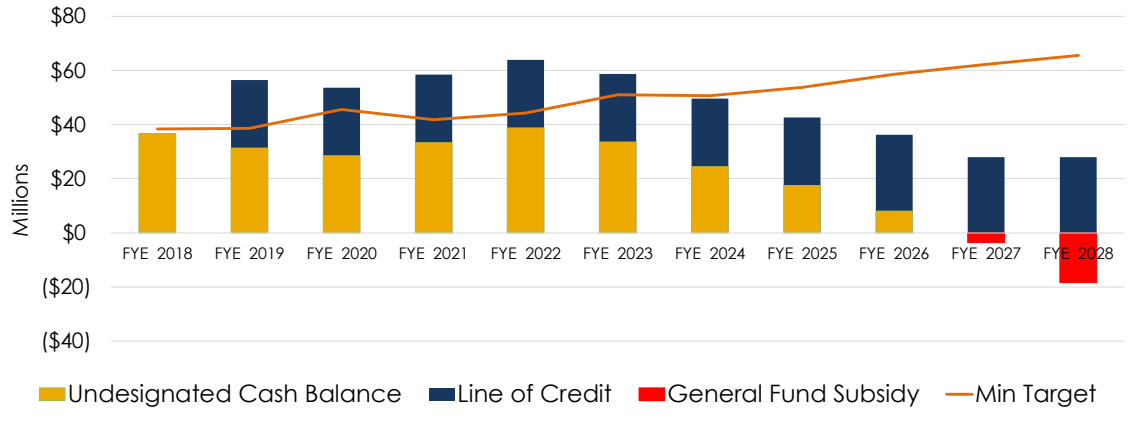


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THE WHY

Undesignated Reserves **WITHOUT** Rate Increases



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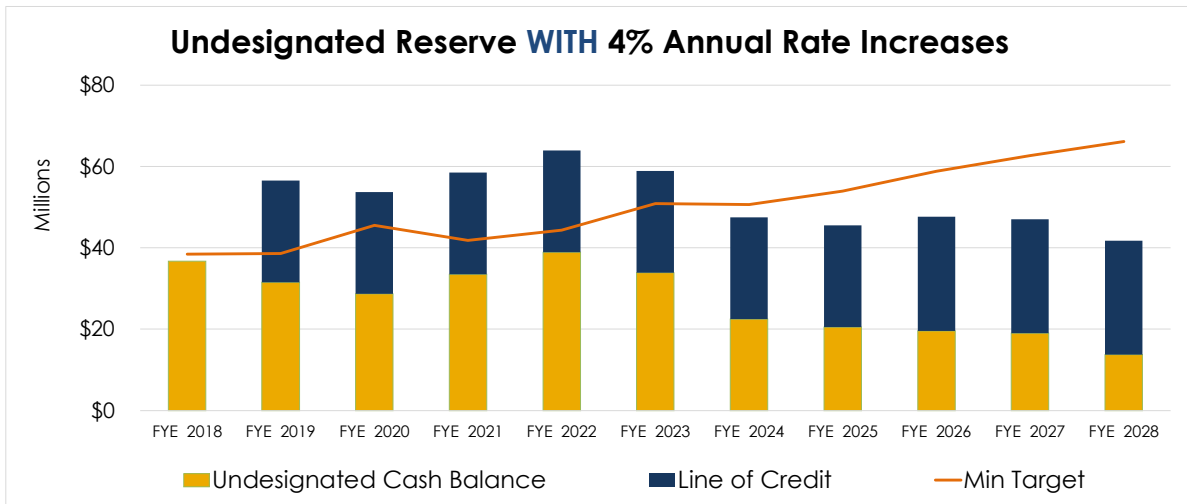
WATER 5-YEAR RATE PLAN SCENARIO – 4% SYSTEM AVERAGE

Customer Class	Customers	Year 1 % Increase	Year 2 % Increase	Year 3 % Increase	Year 4 % Increase	Year 5 % Increase	Compounded Annual Growth Rate
Single Family Residential (3 tiers per class)	58,731	3.5%	4.1%	4.1%	4.1%	4.1%	21.4%
Multi Family Residential (2 tiers per class)	1,145	2.8%	4.1%	4.1%	4.1%	4.1%	20.7%
Commercial/ Industrial	5,137	5.3%	3.7%	3.8%	3.9%	3.7%	22.0%
Landscape	500	8.4%	3.6%	3.6%	3.8%	3.6%	25.0%
City Interruptible/ Recycled	530	3.6%	3.9%	3.7%	3.6%	3.9%	20.0%
Agriculture (up to 3 tiers per class)	224	1.1%	3.9%	4.0%	3.9%	4.0%	18.1%
Riverside Water Co. Irrigators (3 tiers per class)	24	11.9%	4.4%	4.3%	4.4%	4.2%	32.6%
Temporary Service	72	7.4%	4.3%	4.2%	4.4%	4.3%	27.1%



Note: The increases per year are estimates for example purposes only and were created by adjusting from the proposed 5-year rate plan rate increases. 17
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WATER 5-YEAR RATE PLAN SCENARIO – 4% SYSTEM AVERAGE



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WATER 5-YEAR RATE PLAN SCENARIO – 5% SYSTEM AVERAGE

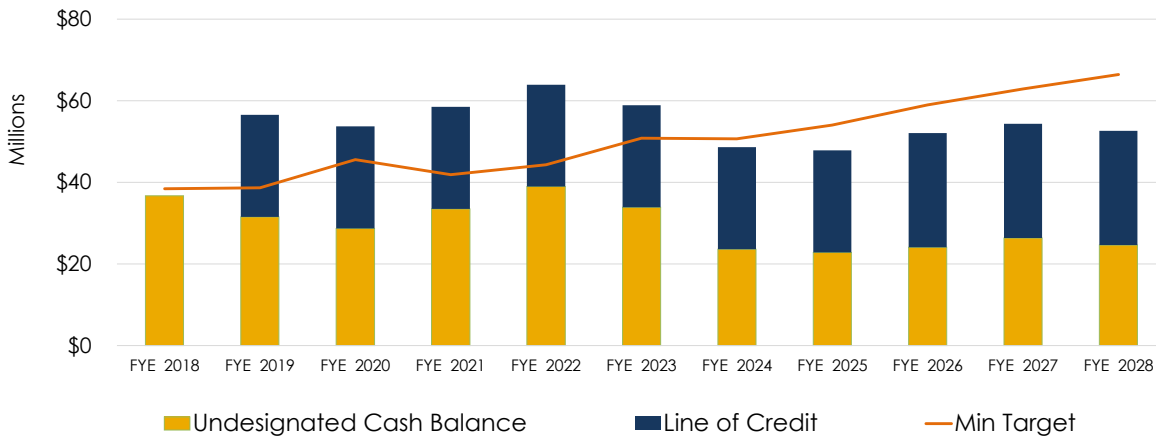
Customer Class	Customers	Year 1 % Increase	Year 2 % Increase	Year 3 % Increase	Year 4 % Increase	Year 5 % Increase	Compounded Annual Growth Rate
Single Family Residential (3 tiers per class)	58,731	4.4%	5.1%	5.1%	5.2%	5.1%	27.3%
Multi Family Residential (2 tiers per class)	1,145	3.5%	5.1%	5.1%	5.2%	5.1%	26.3%
Commercial/ Industrial	5,137	6.6%	4.6%	4.7%	4.8%	4.6%	28.1%
Landscape	500	10.5%	4.5%	4.5%	4.7%	4.5%	31.9%
City Interruptible/ Recycled	530	4.5%	4.8%	4.6%	4.5%	4.8%	25.5%
Agriculture (up to 3 tiers per class)	224	1.4%	4.9%	5.0%	4.9%	5.0%	23.1%
Riverside Water Co. Irrigators (3 tiers per class)	24	14.8%	5.5%	5.4%	5.5%	5.3%	41.9%
Temporary Service	72	9.2%	5.4%	5.3%	5.5%	5.4%	34.7%



Note: The increases per year are estimates for example purposes only and were created by adjusting from the proposed 5-year rate plan rate increases. 19
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WATER 5-YEAR RATE PLAN SCENARIO – 5% SYSTEM AVERAGE

Undesignated Reserves WITH 5% Annual Rate Increases



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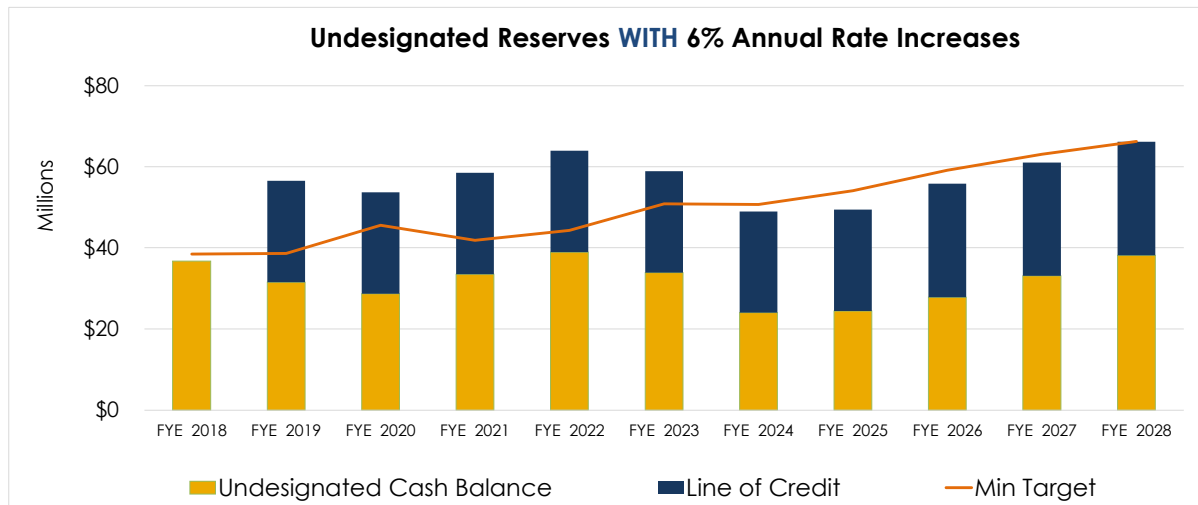
WATER 5-YEAR RATE PLAN SCENARIO – 6% SYSTEM AVERAGE

Customer Class	Customers	Year 1 % Increase	Year 2 % Increase	Year 3 % Increase	Year 4 % Increase	Year 5 % Increase	Compounded Annual Growth Rate
Single Family Residential (3 tiers per class)	58,731	5.3%	6.1%	6.1%	6.2%	6.1%	33.5%
Multi Family Residential (2 tiers per class)	1,145	4.2%	6.1%	6.1%	6.2%	6.1%	32.2%
Commercial/ Industrial	5,137	7.9%	5.5%	5.6%	5.8%	5.5%	34.4%
Landscape	500	12.6%	5.4%	5.4%	5.6%	5.4%	39.1%
City Interruptible/ Recycled	530	5.4%	5.8%	5.5%	5.4%	5.8%	31.2%
Agriculture (up to 3 tiers per class)	224	1.7%	5.9%	6.0%	5.9%	6.0%	28.1%
Riverside Water Co. Irrigators (3 tiers per class)	24	17.8%	6.6%	6.5%	6.6%	6.4%	51.6%
Temporary Service	72	11.1%	6.5%	6.4%	6.6%	6.5%	42.7%



Note: The increases per year are estimates for example purposes only and were created by adjusting from the proposed 5-year rate plan rate increases. ²¹
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WATER 5-YEAR RATE PLAN SCENARIO – 6% SYSTEM AVERAGE



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PROPOSED WATER 5-YEAR RATE PLAN

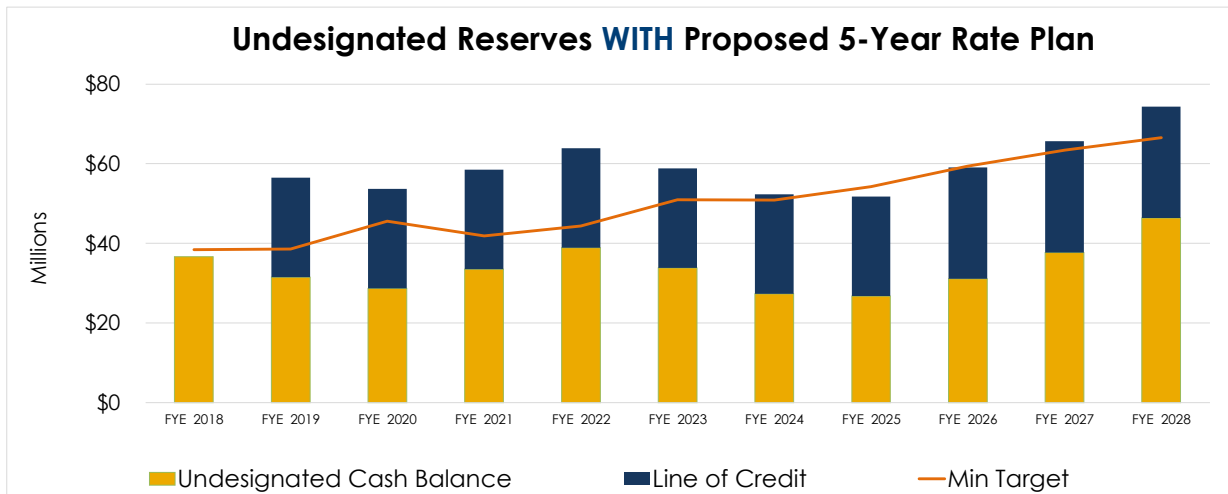
Customer Class	Customers	Year 1 % Increase	Year 2 % Increase	Year 3 % Increase	Year 4 % Increase	Year 5 % Increase	Compounded Annual Growth Rate
Single Family Residential (3 tiers per class)	58,731	5.7%	6.6%	6.6%	6.7%	6.6%	36.7%
Multi Family Residential (2 tiers per class)	1,145	4.6%	6.6%	6.6%	6.7%	6.6%	35.2%
Commercial/ Industrial	5,137	8.6%	6.0%	6.1%	6.3%	6.0%	37.6%
Landscape	500	13.6%	5.9%	5.8%	6.1%	5.8%	43.0%
City Interruptible/ Recycled	530	5.8%	6.3%	6.0%	5.8%	6.3%	34.1%
Agriculture (up to 3 tiers per class)	224	1.8%	6.4%	6.5%	6.4%	6.5%	30.7%
Riverside Water Co. Irrigators (3 tiers per class)	24	19.3%	7.1%	7.0%	7.2%	6.9%	56.7%
Temporary Service	72	12.0%	7.0%	6.9%	7.1%	7.0%	46.8%



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WITH PROPOSED WATER 5-YEAR RATE PLAN



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STRATEGIC PLAN ALIGNMENT



High Performing Government:

Goal 5.4. Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.

Cross-Cutting Threads



Community Trust



Fiscal Responsibility



Sustainability & Resiliency



Equity



Innovation



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RECOMMENDATION

That the Board of Public Utilities receive an update on the fiscal impacts of alternative rate scenarios from the currently proposed for the Water and Electric Utility Five-Year Rate Plan Proposal introduced to the Board on June 12, 2023.



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