



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: JULY 13, 2026

SUBJECT: WA-12 AGRICULTURAL SERVICE WATER RATE CLOSURE TO NEW CUSTOMERS

ISSUE:

Consider recommending that the City Council approve closing the WA-12 Agricultural Service Water Rate Schedule to new customers.

RECOMMENDATIONS:

That the Board of Public Utilities:

1. Conduct a public hearing to receive public input related to the proposed the WA-12 Agricultural Service Water Rate Schedule closure to new customers; and
2. Adopt a resolution establishing the closure of the WA-12 Agricultural Service Water Rate Schedule to new customers.

That the Board of Public Utilities recommend that the City Council:

3. Adopt a resolution approving the closure of the WA-12 Agricultural Service Water Rate Schedule to new customers.

BACKGROUND:

On November 28, 2017, the City Council recommended the establishment of an Agricultural Water Rates Task Force (Task Force), appointed by the Board of Public Utilities (Board), to provide recommendations for the existing agricultural water rates. The City Council approved five-year water rate increases for all other customers, effective July 1, 2018. The City Council approved no increase to the rates for the agricultural water rate customers, while the Task Force met to consider rate alternatives.

The Board appointed a Task Force of 16 community members and stakeholders that met for 13 months and proposed an agricultural water rate.

The Task Force presented its final rate recommendation to the Board and the City Council on May 21, 2019, and June 25, 2019, respectively. Both the Board and the City Council unanimously received and filed the presentation by the Task Force and directed staff to develop a financial impact analysis of the rate proposal and to use available existing published data to establish the

water allocation for the agricultural water rate proposal. The Board also directed staff to estimate the fiscal impact of the rate freeze for the agricultural water rate customers, and to prepare a revised rate proposal that establishes a true budget-based rate. Indoor use is charged as the first tier of use (WA-1A tier one), the agricultural rate is the second tier of use (equal to WA-1A tier one), and the third and fourth tiers of use cover all use that exceeds agricultural use (WA-1A tiers two and three). The City Council directed staff to present the final rate proposal to the City Council for final adoption; to use existing University of California Riverside data on crop factors; and to allow several adjoining properties to amalgamate to qualify for the agricultural water rate.

On August 26, 2019, staff presented the proposed WA-12 Agricultural Service Water Rate Schedule (WA-12) to the Board. After receiving public input, the Board conceptually approved the proposed WA-12 with a specific irrigation efficiency factor of 85% in the agricultural water allocation formula.

On October 15, 2019, the City Council and Board held a joint public hearing to receive public input related to the proposed WA-12, close the existing agricultural water rates, and transition the existing agricultural water rate customers to WA-12. The City Council also adopted Resolution 23499, approving the WA-12 effective January 1, 2020, closing the existing agricultural water rates effective October 15, 2019, and transitioning the existing agricultural water rate customers to WA-12.

WA-12 Agricultural Service Water Rate Schedule

The WA-12 water rate provides a reduced water rate only for agricultural uses, and household and landscape uses are charged at a cost-of-service rate. This means that the customers receive an appropriate amount of water based on the efficient irrigation of the qualifying agricultural crops being grown. All other indoor domestic use, outdoor ornamental landscape use (including pools), or inefficient irrigation is designed to be billed at the same rates as WA-1A Single Family Residential Metered Service or WA-6 Commercial and Industrial Metered Service customers. In summary, a water budget allocation is developed for each customer to serve the agricultural uses on the property.

Monthly Agricultural Water Allocation (Water Allocation)

Because a WA-12 customer will not have separate meters for agricultural uses and all other uses, RPU must estimate the amount of water used for agricultural use. The customer provides, in the Application Form, a description of crops at the service address. Staff will then estimate how much water is needed for those crops and assign a Water Allocation.

The Water Allocation is calculated by using a formula that considers: (1) Riverside’s climate (ETo), (2) the needs of various groupings of crops (Kc), (3) the planted area of qualifying agriculture (IA), and (4) irrigation efficiency (IE).

The four (4) Kc factors to be used in the Water Allocation calculation were developed for the crop groupings shown below.

Crop Factor (Kc)	Crop Grouping
0.45	Immature trees (first 5 planted years)
0.53	Grape vines and row crops
0.69	Citrus, avocado, fruit/nut trees, nursery stock
0.89	Pasture with qualifying livestock

The Water Allocation calculation also includes a water Irrigation Efficiency (IE) factor that

accounts for factors such as distribution uniformity, irrigation runoff, deep percolation, water management, and evaporation losses prior to water entering the soil. At the August 26, 2019, Board meeting, the Board directed staff to include an Irrigation Efficiency value of 85% to the Water Allocation calculation. Staff did so, and the proposed WA-12 water rate schedule now includes the Irrigation Efficiency value of 85%.

Customers who also receive water from the Gage Canal Company (Gage) as current Gage shareholders, or customers receiving water from Gage under the Utilities’ WA-8 rate, shall have that amount of water reduced from the Water Allocation based on actual Gage water received, so as to ensure a property does not receive a double allocation of agricultural water (under WA-12 and from the Gage Canal Company).

WA-12 Agricultural Service Tier Structure

The tier structures differ if a residence is located on the property.

WA-12 (with residence)

Tier 1 – 0 to 8 CCF	Charged equivalent to WA-1A Tier 1
Tier 2 – Water Allocation	Calculated based on water needs of the tree or crop. Charged equivalent to WA-1A Tier 1
Tier 3 – up to next 27 CCF > (Tier 1 + Tier 2)	Charged equivalent to WA-1A Tier 2
Tier 4 – All CCF usage > (Tier 1 + Tier 2 + Tier 3)	Charged equivalent to WA-1A Tier 3

WA-12 (without residence)

Tier 1 – Water Allocation	Calculated based on water needs of the tree or crop. Charged equivalent to WA-1A Tier 1
Tier 2 – All CCF usage > Tier 1	Charged equivalent to WA-6

Proposition 218 and Customer Program Limit

As part of the Five (5) Year Water Rate plan, RPU studied the existing 197 customers on agricultural water rates and estimated that the utility was under collecting the costs to service these customers by approximately \$684,000. Prop 218 requires that only costs necessary to provide service be included in water rates. To comply with Prop 218, RPU offset the under collection with non-rate revenue. All other non-rate revenue was allocated to other customer classes to reduce rate increases.

In addition, the Task Force proposal opened the rate to all properties within the RPU service territory that are at least one-half acre. Staff estimated that there are approximately 12,800 half-acre parcels in the City’s sphere of influence.

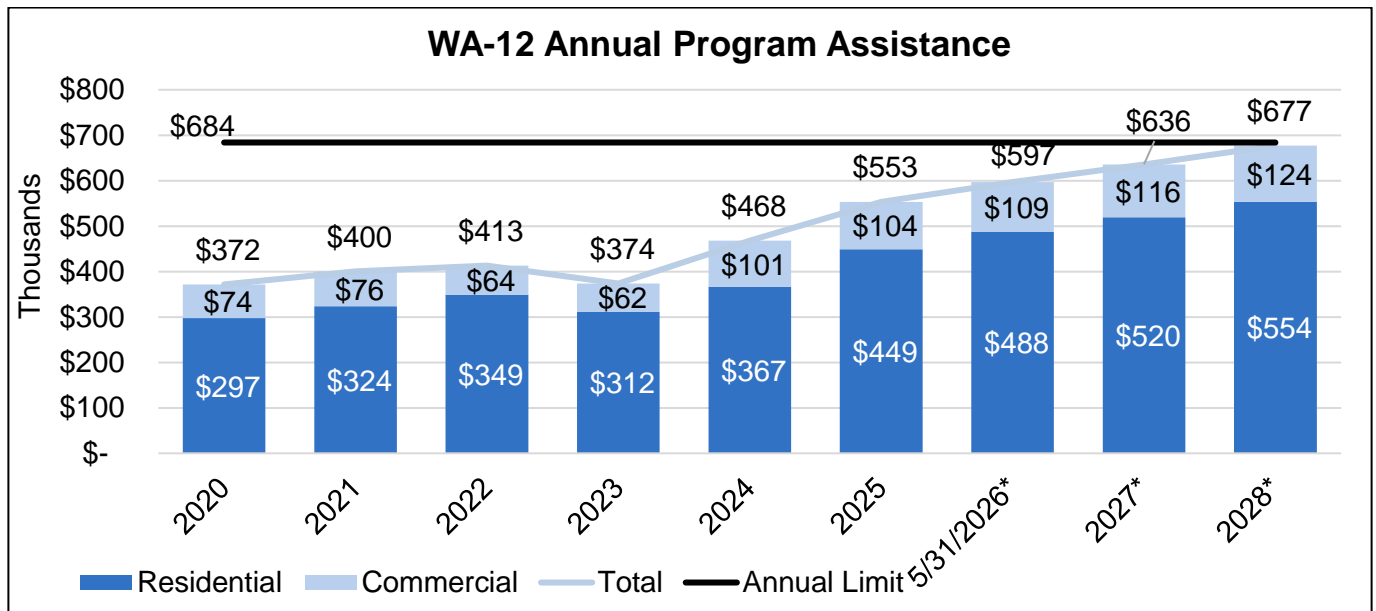
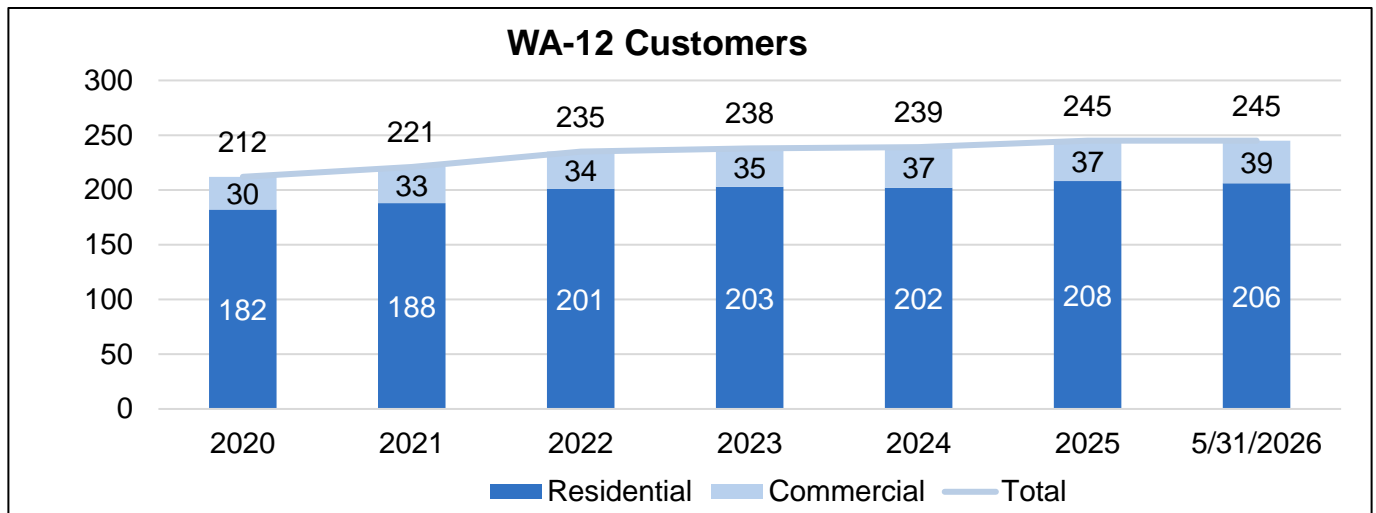
All existing agricultural water rate customers transitioned to the WA-12 water rate schedule, and under the WA-12 Water Allocation methodology, the under collection was estimated to decrease because water used for household needs and non-agricultural outdoor needs will be billed at the appropriate rate.

Under the proposed WA-12 and as requested by the Task Force, new agricultural customers may be added to the rate. However, staff was unsure as to how many customers would apply and qualify for WA-12, meaning that the under collection of costs could grow beyond the \$684,000 that is currently offset by non-rate revenue. Staff proposed that WA-12 be limited to \$684,000 of under collection of costs. This means that new customers with qualifying agriculture can qualify

for WA-12 until the \$684,000 under collection is reached. When the \$684,000 limit is reached, the General Manager will immediately declare the rate closed to new customers, subject to approval of the Board and the City Council.

DISCUSSION:

As of May 31, 2026, the WA-12 water rate schedule includes 245 customers. An estimated \$597,142 of the annual program allocation of \$684,000 has been allocated.



* - Estimated to include the Water Five-Year Rate Plan

When considering the impacts of the Water Five-Year Rate plan and years four and five implemented on July 1, 2026, and July 1, 2027, respectively, the annual program assistance is expected to be near fully utilized and within \$7,000 of the \$684,000 annual limit.

WA-12 section 11 - Program Limit, states “the total demand for this Schedule shall collectively not exceed \$684,000 in under collection of costs to provide this rate. Once the Program Limit is reached, the General Manager will immediately declare the Schedule closed to new customers,

subject to approval by the Board of Public Utilities and the City Council. The rate will remain closed until such time as additional non-rate revenues are established to subsidize the cost to provide this rate to new Customers. The City Council may, by resolution, identify such additional non-rate revenues and increase the Program Limit set forth herein. Such increase must be adopted by a resolution that is also approved by the Board of Public Utilities.” The General Manager has declared WA-12 closed to new customers as of September 19, 2025, and is seeking approval by the Board and City Council.

FISCAL IMPACT:

There is no fiscal impact associated with the requested action of the closure of WA-12 to new customers.

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Certified as to
availability of funds: Julie Nemes, Interim Finance Director
Approved by: Gilbert Hernandez, Interim Assistant City Manager
Approved as to form: Rebecca McKee-Reibold, Interim City Attorney

Attachments:

1. Board Resolution
2. Recommended WA-12 Agricultural Service Water Rate Schedule (red-lined and proposed)
3. Public Hearing Notice
4. Presentation