



Electric and Water Utility 5-Year Rate Proposal FY 2018 – 2022 and Proposal for Annual CPI Escalator for FY 2023-2027

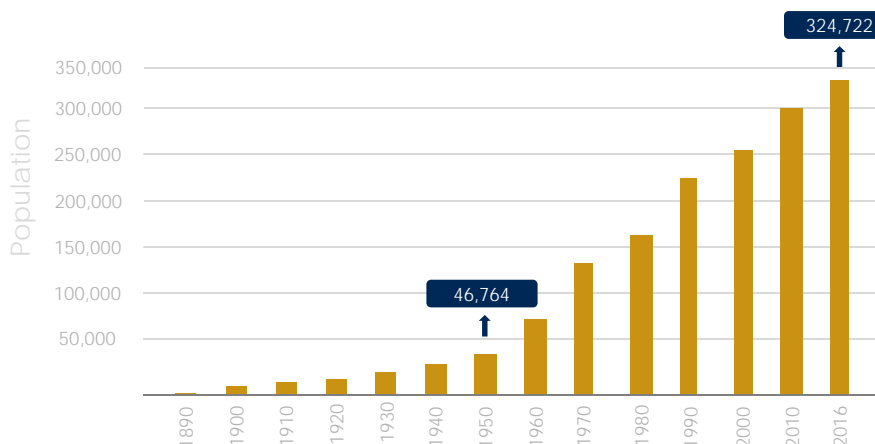
City Council
September 26, 2017

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1

Population Growth



Sources: American Fact Finder/Census.gov and State of California, Department of Finance

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2

A City – A System of Systems



Dr. Lucy Jones Center for Science and Society, SCAG Presentation

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3

Necessary Systems



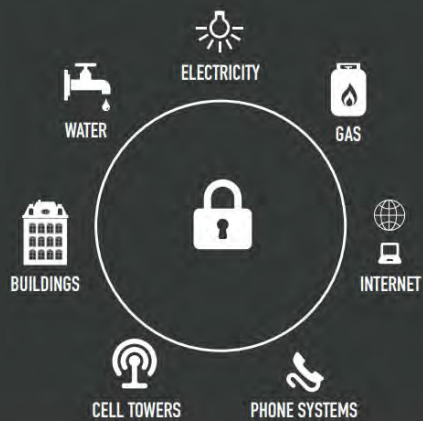
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4

Critical Infrastructure Is Connected



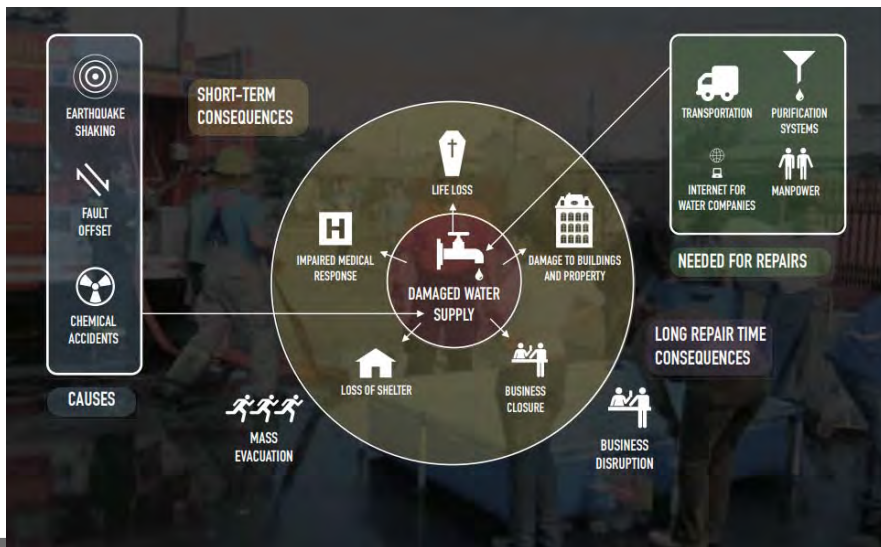
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5

Damaged Water Supply



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6

National Newspaper Headlines

THE WALL STREET JOURNAL

THURSDAY, SEPTEMBER 14, 2017 - VOL. CCLXX NO. 63

The New York Times

NEW YORK, THURSDAY, SEPTEMBER 14, 2017

What's News

- ◆ **Trained across that** includes Apple and that ranged to the front of the race to acquire Facebook's memory-chip business with a bid valuing the unit at about \$10 billion. **B1**
- ◆ **Trump's Medicaid** is being backed down's attempt to buy U.S. chip maker Lattice. **B1**
- ◆ **Panel is exploring** strategic options, including a possible sale of the hospital firm, in the face of shareholder-activist pressure. **B1**
- ◆ **Equities said** criminals exploited web-server software in the data breach that affected potentially 143 million Americans. **B1**
- ◆ **Apple is trying** the success of its new iPhone X to the effectiveness of facial-recognition technology. **B1, B5**
- ◆ **Brazil's Federal Police** arrested the two brothers behind hackerpacker JIS on charges that they illegally profited from a data deal. **B1**
- ◆ **China is laying** the groundwork for its first

At Florida Nursing Home, Toll Rises to Eight



SEEKING ANSWERS: Police officers talked to an employee at a nursing home in Hollywood, Fla., that lost air conditioning after Irma hit. Several patients died and more than 150 were evacuated on Wednesday. AP

Immigrants Agree to Take

By ALAN RAPPOPORT
By LAURA MACLELLAN
AND KRISTINA PEREZ

WASHINGTON — President Donald Trump and congressional Democrats closed a deal Wednesday to give status to undocumented aliens who were born in the U.S. as children. The deal, if it matters, would mark an extraordinary moment for lawmakers: They have been unable to pass any immigration legislation in many years. It would mark a striking latest in a long history of legislative inaction on the issue. The deal, if it matters, would mark an extraordinary moment for lawmakers: They have been unable to pass any immigration legislation in many years. It would mark a striking latest in a long history of legislative inaction on the issue.

Trump Hurries A Tax Overhaul Not Yet Written

Courting Democrats as Details Elude G.O.P.

By ALAN RAPPOPORT

WASHINGTON — President Trump is doubling down this week on his plan to retool the tax code, meeting with Democrats, trying to get legislation to hurry tax reform and departing his economic team's Capitol Hill dinner early to find lawmakers into action.

DEMOCRATS CLAIM DEAL WITH TRUMP OVER 'DREAMERS'

HARD-LINERS PERPLEXED

Wall on Border Remains Sticking Point in Talks With White House

By MAGGIE HABERMANN AND YANMORH ALLEN

WASHINGTON — Democratic leaders on Wednesday night declared that they had a deal with President Trump to quickly extend protections for young undocumented immigrants and to finalize a border security package that does not include the president's proposed wall.

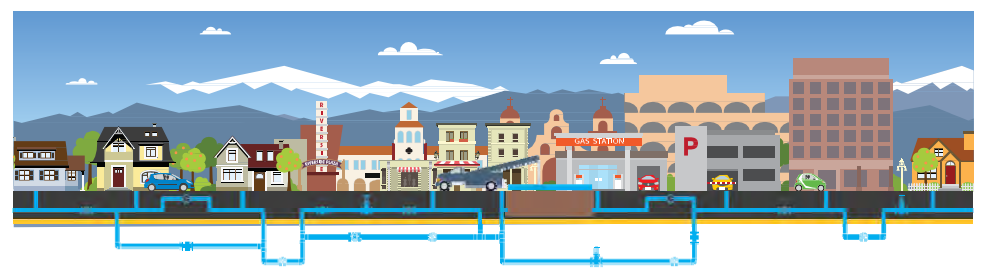
8 Die After Power Fails at Care Center in Florida



Officials were forced to evacuate a nursing home in Hollywood, Fla., on Wednesday after the building's air-conditioning failed. AP

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Water-Energy-Life



WATER - ENERGY - LIFE
Utility 2.0 - Planning For Our Future
10-Year Infrastructure Plan

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10-Year Infrastructure Outlook

ASCE Grading Scale

- A** Exceptional – Fit for the Future
- B** Good – Adequate for Now
- C** Mediocre – Requires Attention
- D** Poor – At Risk
- F** Failing/Critical – Unfit for Purpose



9

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10-Year Infrastructure Outlook

ASCE Grading Scale

- A** Exceptional – Fit for the Future
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 - C** Mediocre – Requires Attention
 - D** Poor – At Risk
 - F** Failing/Critical – Unfit for Purpose
- Riverside's Current Grade



10

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10-Year Infrastructure Outlook

Without Accelerating Repair and Replacement

ASCE Grading Scale



Exceptional – Fit for the Future



Good – Adequate for Now



Mediocre – Requires Attention



Poor – At Risk



Failing/Critical – Unfit for Purpose

Compromised Health/safety

Grades Moving in Wrong Direction



Riverside's Current Grade



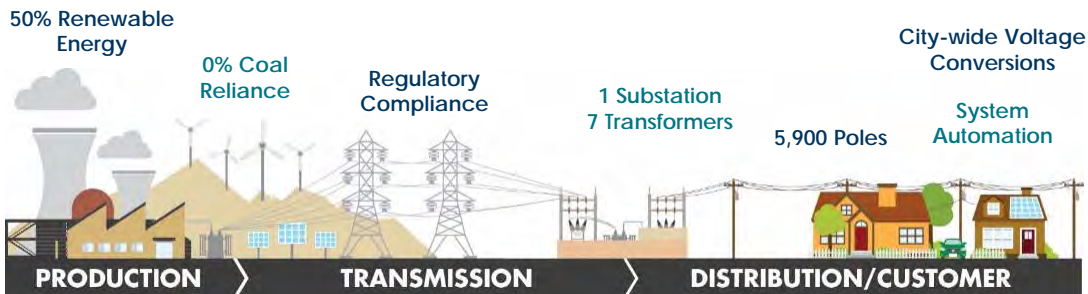
11

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Electric System

Moving to a **B** Good – Adequate for Now

5 Year Costs: \$ 335 Million



12

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Water System

Moving to a **B** Good – Adequate for Now

5 Year Costs: \$ 171 Million

Recycled Water
Storm Water Capture

SOURCE

5 Wells

TREATMENT

North Waterman
Treatment Plant

TRANSMISSION

80 Miles of Pipeline
Replace Techite Pipe

DISTRIBUTION/CUSTOMER

3 Pressure Stations • System Automation

13

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7 Years Without a Rate Increase

7 Years

since the last
water increase (2010)

7 Years

since the last
electric increase (2010)

Renewable Power Requirements
Increased from

20% to 50%

since the last rate plan

Five-year California Drought
(2011-2016)

Hottest and Driest in
Instrumental Record
since the late 1800s

14

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The Cost of Average Household Items in 2010



Tide Laundry Detergent
2010 - \$7.97



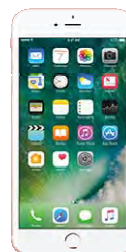
1 pound of bacon
2010 - \$3.22



1 pound of potatoes
2010 - \$0.52



Movie ticket
2010 - \$7.50



iPhone 4
2010 - \$399

Source: ThePeopleHistory.com/pricebasket.html

Source: Apple.com

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15

Cost Increase ↑ of Average Household Items



↑ 58%
\$

Tide Laundry Detergent
2010 - \$7.97
2016 - \$12.57



↑ 39%
\$

1 pound of bacon
2010 - \$3.22
2016 - \$4.48



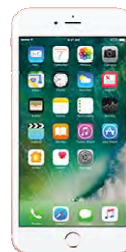
↑ 50%
\$

1 pound of potatoes
2010 - \$0.52
2016 - \$0.78



Movie ticket
2010 - \$7.50
2016 - \$10.49

↑ 40%
\$



iPhone 4
2010 - \$399
iPhone 7
2016 - \$649

↑ 63%
\$

Source: ThePeopleHistory.com/pricebasket.html

Source: Apple.com

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16

Cost Increase for RPU since 2010



RPU Electric
\$0.10/kWh
(2010)



RPU Water
\$1.14/ccf
(2010)

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17

Cost Increase for RPU since 2010



RPU Electric
\$0.10/kWh
(2016)
\$0.10/kWh (2010)



0%

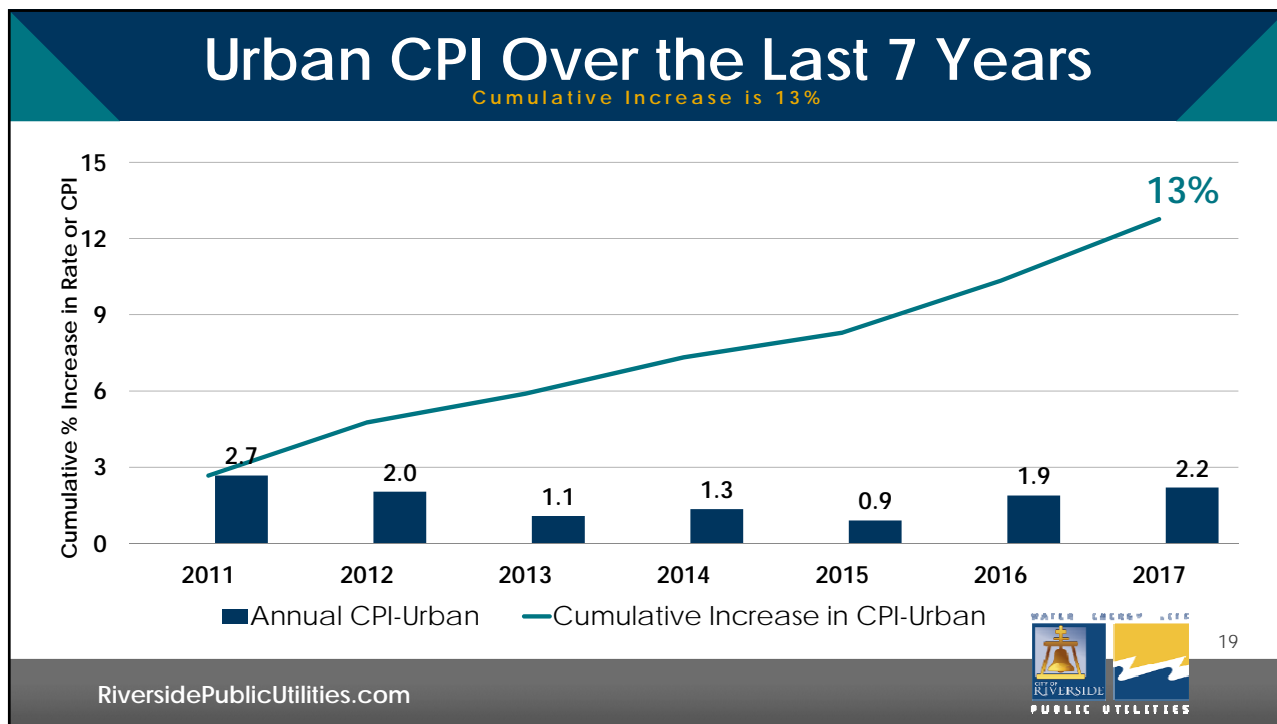


RPU Water
\$1.14/ccf
(2016)
\$1.14/ccf (2010)

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18



Average Rate Change

Proposed Electric Rates		
Year	Fiscal Year	% Change
1	17/18	5.00%
2	18/19	5.00%
3	19/20	5.00%
4	20/21	5.00%
5	21/22	4.00%
6	22/23	CPI
7	23/24	CPI
8	24/25	CPI
9	25/26	CPI
10	26/27	CPI
	5 Year Avg	4.80%

Proposed Water Rates		
Year	Fiscal Year	% Change
1	17/18	8.75%
2	18/19	8.50%
3	19/20	8.50%
4	20/21	8.50%
5	21/22	8.50%
6	22/23	CPI
7	23/24	CPI
8	24/25	CPI
9	25/26	CPI
10	26/27	CPI
	5 Year Avg	8.55%

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20

Residential Average Monthly Bill Increase for Each of the Next 5 Years

Residential 5 year Average Annual Price Change	Low-Use 355 kWh 12 CCF	Typical-Use 592 kWh 19 CCF	High-Use 1400 kWh 29 CCF
Electric	\$3.11 (5%)	\$5.18 (5%)	\$11.56 (4%)
Water	\$4.05 (12%)	\$4.56 (10%)	\$6.48 (8%)
Average Combined	\$7.15 (7%)	\$9.74 (7%)	\$18.05 (5%)

Includes Public Benefits Charge and Water Conservation Surcharge

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21

Commercial Average Monthly Bill Increase for Each of the Next 5 Years

Commercial 5 year Average Annual Price Change	Small 500 kWh 10 CCF	Medium 2400 kWh 37 CCF	Large 8000 kWh 119 CCF
Electric	\$3.70 (3%)	\$17.32 (4%)	\$40.92 (3%)
Water	\$4.24 (12%)	\$7.90 (8%)	\$23.57 (8%)
Average Combined	\$7.94 (5%)	\$25.22 (5%)	\$64.49 (4%)

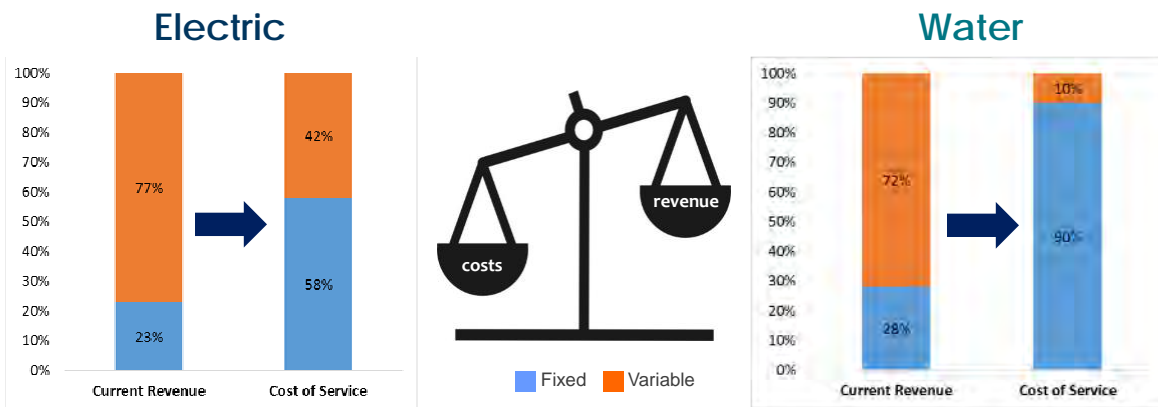
Includes Public Benefits Charge and Water Conservation Surcharge

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22

Utility Cost Structure is Imbalanced

Cost is mostly fixed, revenue is mostly variable



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23

Current Competitive Advantages Remain "Business Friendly"

Low residential and commercial utility rates

Economic Development Rate incentives to encourage business expansion and attraction

Large industrial customers rates as low as 10% lower than SCE

New and lower High Voltage Rate

New and lower restructured Reliability Charge for small industrial TOU customers

New Green Power Rate

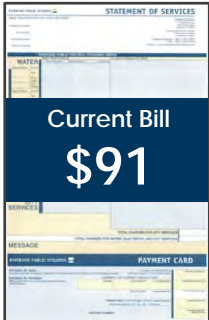
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24

Ways We Can Help You Save

Typical Residential Monthly Electric Bill:



Current Bill
\$91




\$5

Proposed Bill Increase

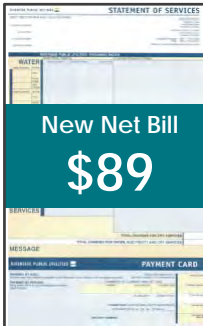
GET YOUR INSTANT LED BULB REBATES TODAY!

Retail Cost of 10 Bulbs	\$40
RPU's Contribution	(\$30)
Customer Cost	\$10

Decrease if Implemented



\$7



New Net Bill
\$89

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25

Ways We Can Help You Save

Typical Residential Monthly Water Bill:



Current Bill
\$38



\$5

Proposed Bill Increase

Install a Weather Based Irrigation Controller (WBIC) & 25 Free Sprinkler Nozzles

Retail Cost of a WBIC	\$250
RPU's Rebate	(\$200)
Customer Cost	\$50
FreeSprinklerNozzles.com	\$0

Decrease if Implemented



\$6



New Net Bill
\$37

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26

RPU offers more than 40 rebates to help you save!

Energy Star Ceiling Fan \$150
RPU Rebate (\$50)
 Net cost \$100



Energy Star TV \$300
RPU Rebate (\$150)
 Net cost \$150



Solar Attic Fan \$300
RPU Rebate (\$100)
 Net cost \$200



For information:
RiversidePublicUtilities.com

Or call



27

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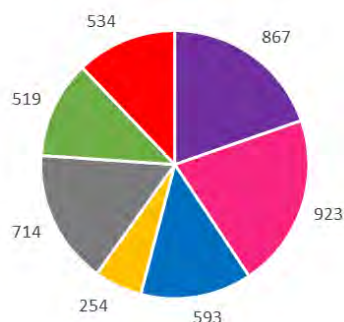
Low Income Assistance in All Wards

SHARE Participation Citywide	
Ward 1	867
Ward 2	923
Ward 3	593
Ward 4	254
Ward 5	714
Ward 6	519
Ward 7	534
Total	4404

* Total between 7/18/2016 and 7/17/2017

SHARE Participation Citywide
 Total = 4,404

- Ward 1
- Ward 2
- Ward 3
- Ward 4
- Ward 5
- Ward 6
- Ward 7



28

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Proposed Low Income Electric Programs

1. Energy Savings Assistance Program:

Include additional direct installation measures for energy efficiency

2. Affordable Solar Energy for Riverside:

Increase PV rebate amount per kW

3. Rebates:

Increase Energy Star rebates for SHARE eligible customers



Proposed Low Income Electric Programs

4. Customer Engagement Program:

Enroll SHARE customers to receive customized home energy reports

5. LED Program:

Direct mail LED bulbs to each SHARE customer

6. Increase marketing and promotion for Low Income programs



Proposed Low Income Water Programs

1. Energy Savings Assistance Program:

Include additional direct installation measures for water efficiency

- a. High Efficiency Toilets, Shower Heads and Faucet Aerators
- b. Indoor / Outdoor Water Audit



2. Increase marketing and promotion for Low Income programs

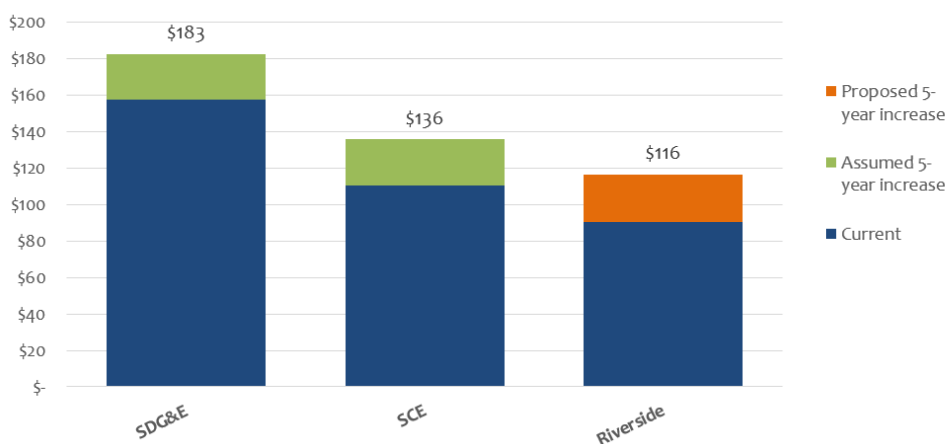


31

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Proposed Electric Rate Remains Competitive

Proposed average residential rate for 592 kWh per month

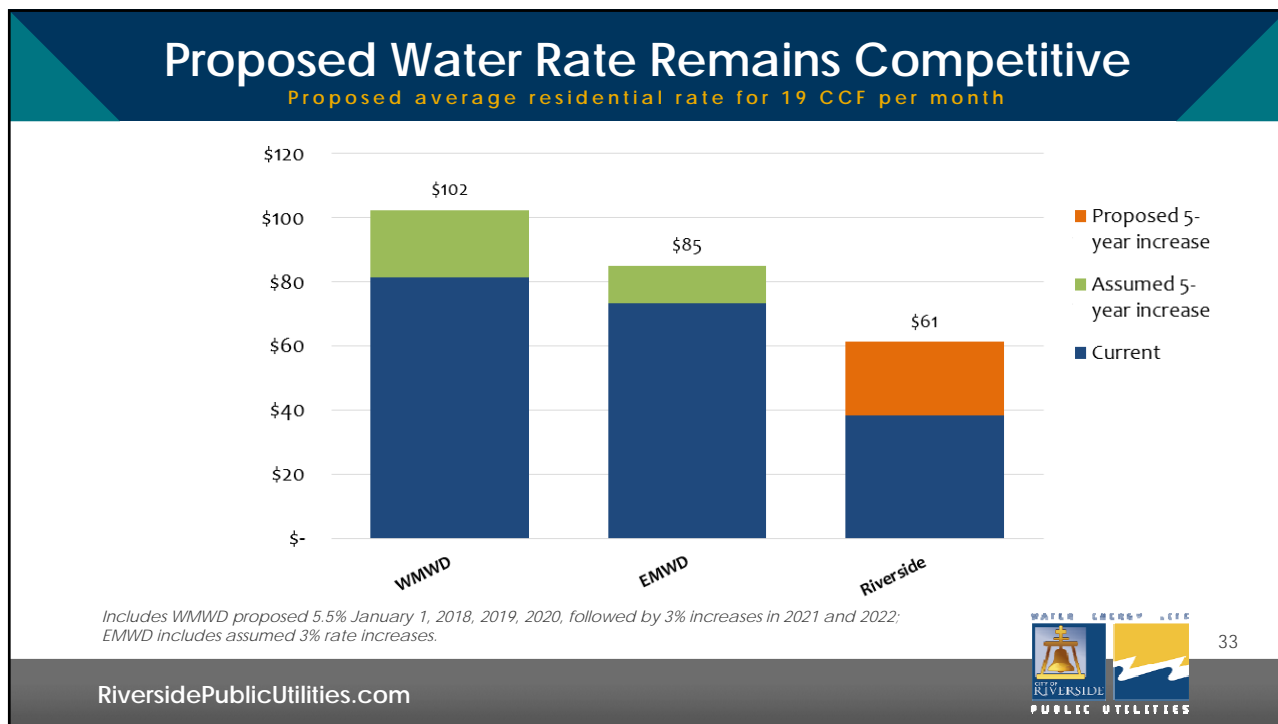


SCE- 2018 to 2020 General Rate Case Papers ; 2021-2022 (average of 2018 to 2020); SDG&E- Assumed 3% per year




32


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Revenues From Other Sources

1. **Excess Renewable Energy Sales, to be realized in upcoming years**
\$3-5 million/year
2. **Adding PV Solar to well sites and lowering Edison electric cost**
\$800,000/year



 34

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Revenues From Other Sources

3. Transmission revenues from California Independent System Operator

\$36 - \$40 million/year over next 5 years; helps offset transmission access costs

4. Cap-and-Trade Revenues

\$18 million from 2013 to date; \$15 million next 3 years

5. Selling Scheduling Coordinator Services to cities of Banning and Rancho Cucamonga

\$750,000/year



Revenues From Other Sources

6. \$85 million Line of Credit

reduces the amount of cash reserves we have to maintain and lowers rate

7. Western Wheeling and Excess Commodity Agreement

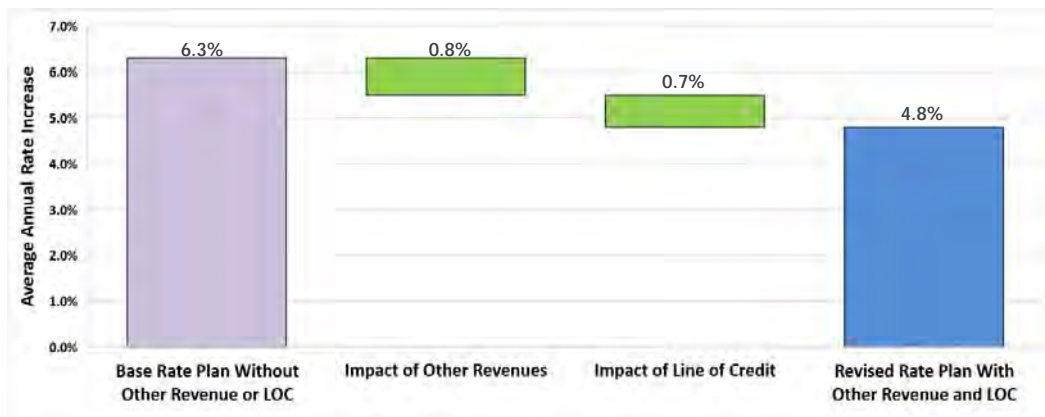
\$100 million over 20 years

8. 55-year lease with Hillwood

potential for \$45 million



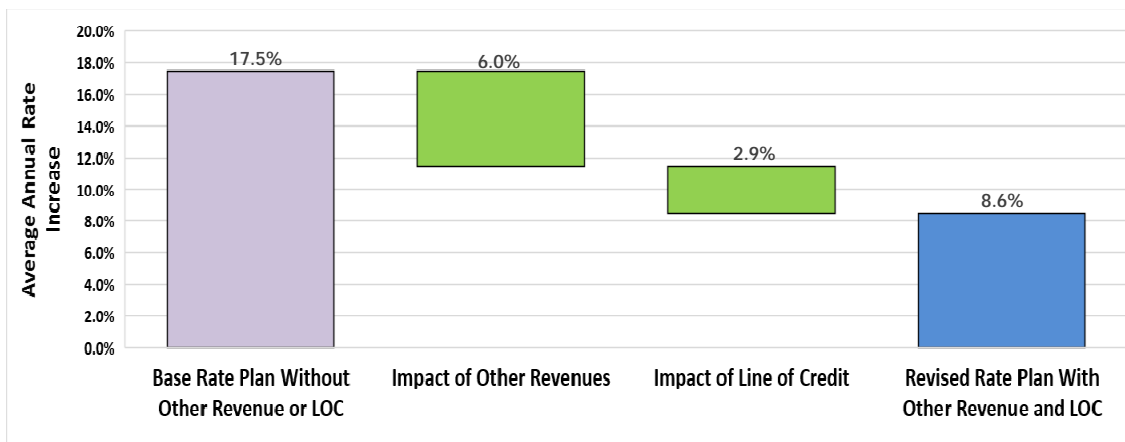
Electric Rates Lowered From 6.3% to 4.8%



37

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Water Rates Lowered From 17.5% to 8.6%



38

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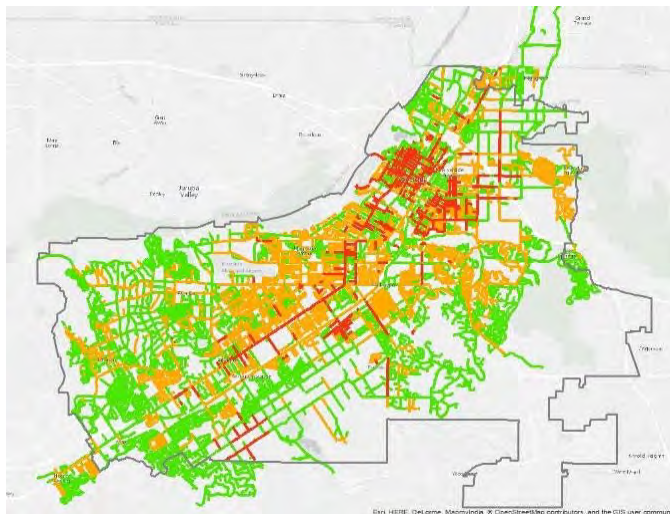
Infrastructure REPAIR AND REPLACE

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39

Aging Pipes



- 80+ Years old
- 50-80 Years old
- 1-50 Years old

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40

60 Substation Transformers



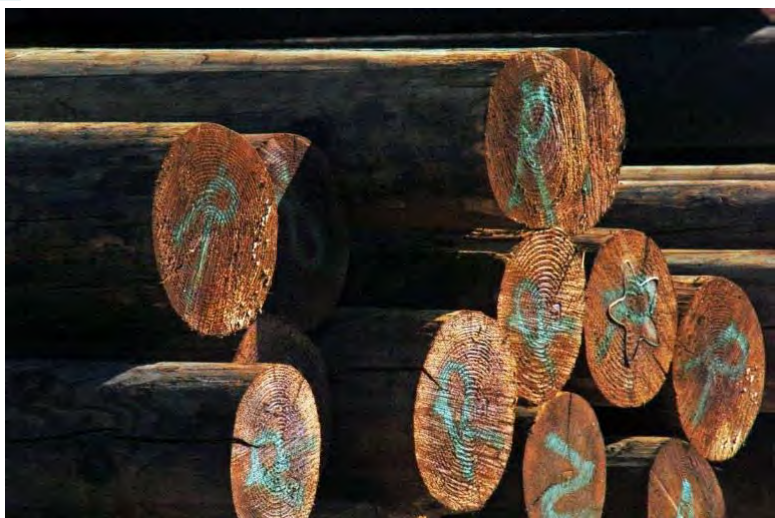
10 are over
60 years old

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41

22,637 Utility Poles



39% are over 60
years old

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42

824 Miles of Distribution Mains



30% are over 60 years old

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43

November 2016 – Sinkhole

Victoria Avenue/Lyon



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44

March 2017 – Sinkhole

Cypress/Warren



45

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August 2016 – Sinkhole

3rd Street

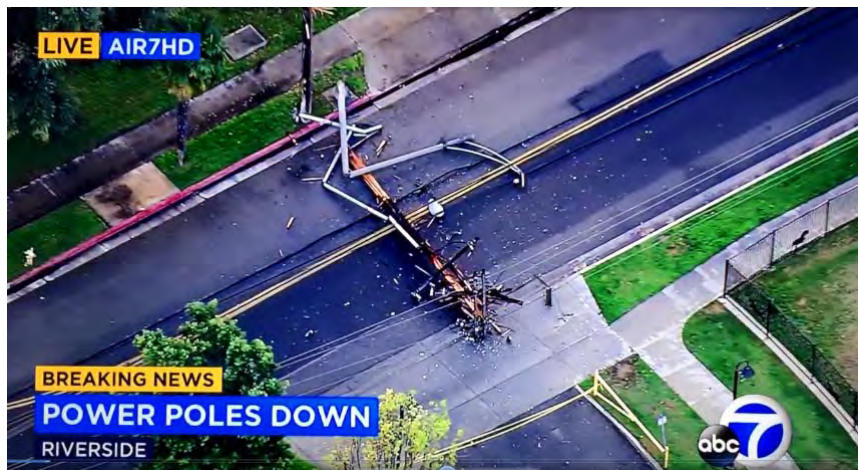


46

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March 2016 - Microburst

La Sierra



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47

Harvey Lynn Substation Explosion

March 2014



From this...



...to this.

Harvey Lynn Substation Explosion March 2014

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48

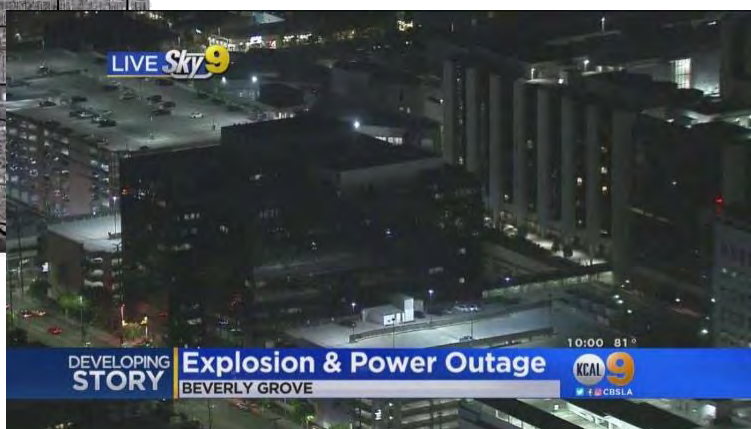
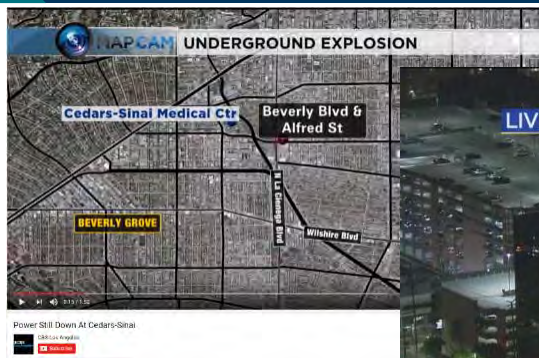
UCLA Water Main Break



49

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July 7, 2017 – Cedars Sinai



50

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July 8, 2017



NWS Los Angeles @NWSLosAngeles

Record high for downtown L.A. today at 98 degrees. Exceeds 131 year record set way back in 1886 when the high was 95 degrees. #laheat #cawx

New Daily Record!
Downtown Los Angeles, CA
July 8th 2017
98 °F
1886 record: 95 °F

Weather Forecast Office
Los Angeles/Orange, CA

Follow Us: [Facebook icon] [Twitter icon] [YouTube icon]

8:41 PM - 8/8/2017

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51

July 31, 2017



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52

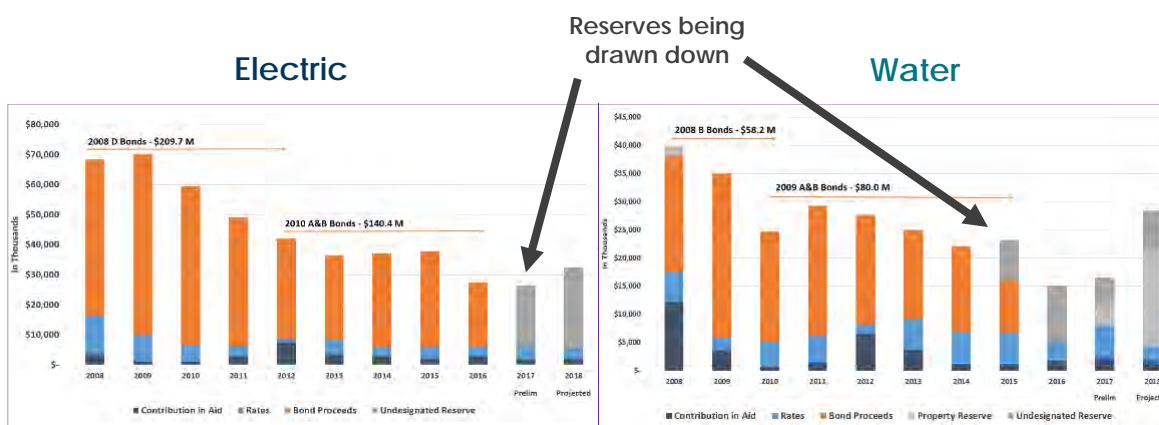
August 1, 2017



53

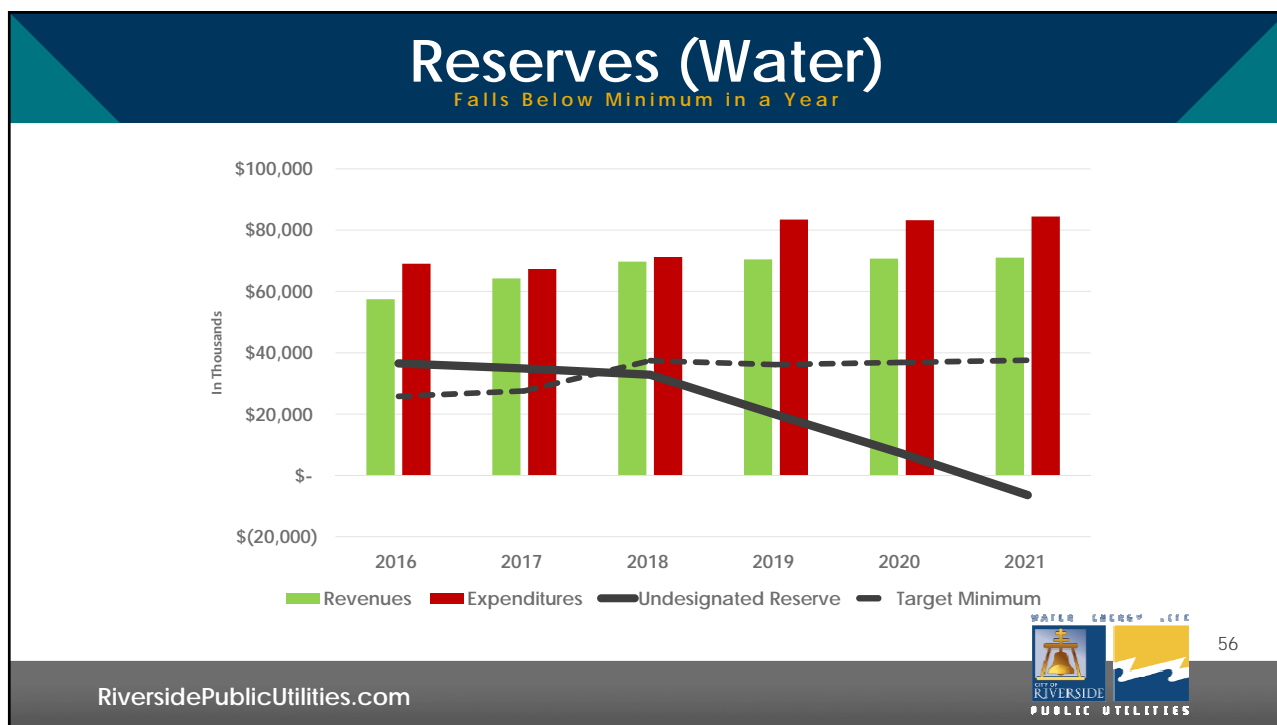
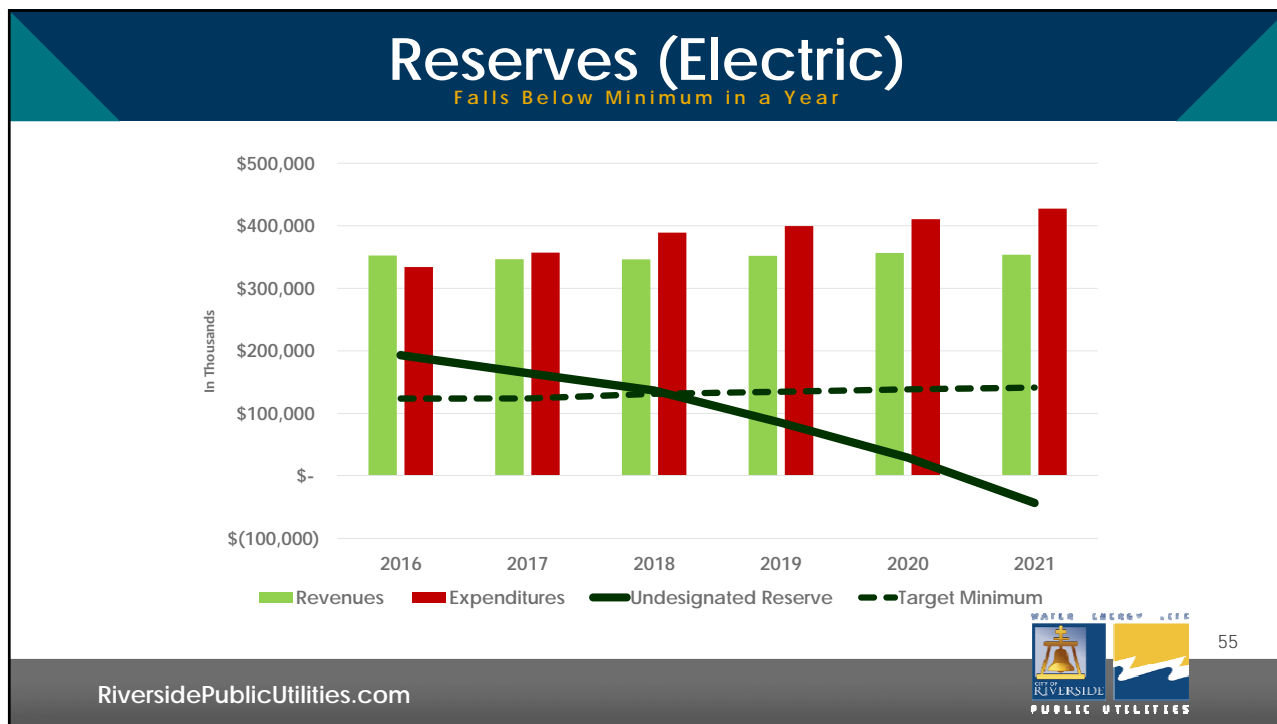
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Bonds – All Proceeds Used up 6/30/16



54

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Community Outreach

PROPOSAL	OUTREACH	RECOMMENDATION	IMPLEMENTATION
August 28 – RPU Board September 26 – City Council	Oct - Nov	January – RPU Board February – City Council	April 2, 2018

Outreach Goals

1. Describe proposal
2. Answer questions
3. Get feedback

Outreach Process

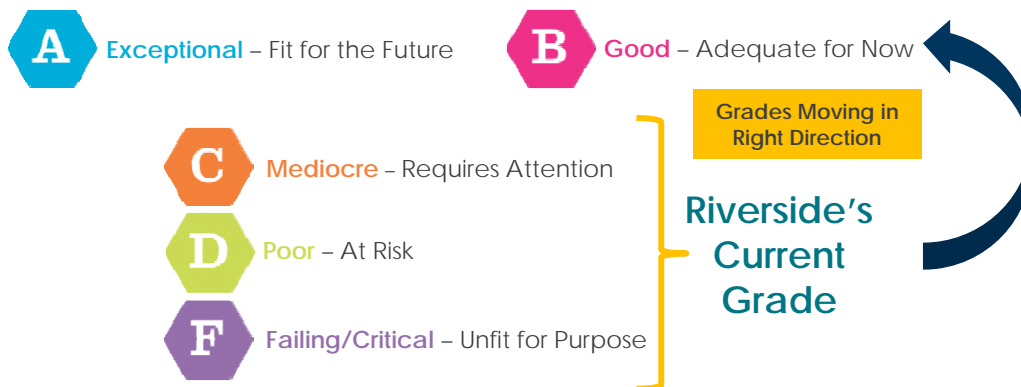
1. Community meetings in all Wards
2. Informational mailers



10-Year Infrastructure Outlook

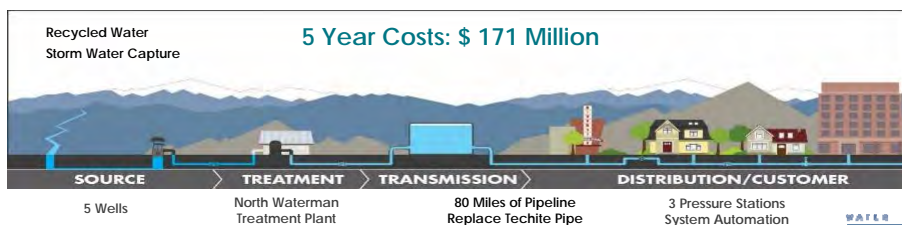
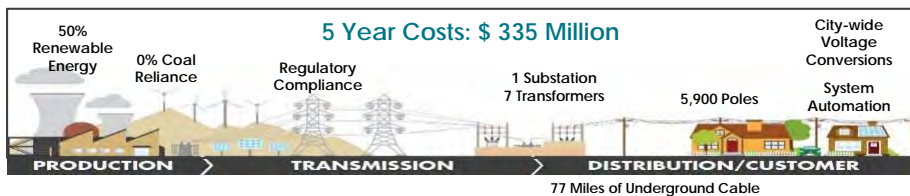
With Accelerated Repair and Replacement

ASCE Grading Scale



10-Year Infrastructure Outlook

With Accelerated Repair and Replacement



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59

Connected City



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60

8-28-17 Rate Proposal to Board of Public Utilities

1. Unanimously approved moving rate proposal recommendations to City Council.
2. Public and Board discussion, common themes included:
 - a) Providing sufficient customer outreach to include information on ways to save; determining metrics that will be used to gauge responses; providing communication to the Board on themes that emerge from community meetings
 - b) Providing specific outreach to target low-income customers;
 - c) Ensuring that the Board and City Council have oversight and approval authority over any annual Consumer Price Index (CPI) rate changes or cost adjustments being proposed, and
 - d) Considering a joint RPU Board and City Council workshop in November to discuss community outreach feedback and next steps prior to developing a final recommendation.



61

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Recommendations

That the City Council:

1. Review the Electric and Water Utility 5-year Rate Proposal (Utility Rate Proposal) developed to repair and replace aging and critical utility infrastructure; maintain public health and safety; maintain utility financial health; and improve customer service as per the City Council's direction on October 6, 2015 to develop a financial plan for the 10-year Utility 2.0 Strategic Plan Option 3;
2. Review proposal for annual consumer price index escalators for FY 2023-2027;
3. Direct staff to conduct a citywide community outreach initiative of the Utility Rate Proposal in October and November 2017;



62

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Recommendations

4. Direct staff to hold a joint meeting with the Board and City Council in November to discuss community outreach feedback and next steps to developing a final recommendation; and
5. Direct staff to return with a public hearing to the Board and City Council, in January and February 2018, respectively, with a final rate recommendation, with new rates effective April 2018.