



Rate Plan Community Meeting Summary | Ward 5 | Monday, November 6, 2017

Riverside Public Utilities (RPU) staff made a presentation on RPU’s electric and water utility rate increase proposal. After being introduced by Chris Mac Arthur, Ward 5 City Council Member, RPU Deputy General Manager Kevin Milligan explained why additional revenues are needed to replace aging infrastructure in order to protect the public health and safety of Riverside’s homes and businesses.



RPU Deputy General Manager Kevin Milligan

Meeting Location

Hunt Park
4015 Jackson Street, Riverside, CA

Number of Community Attendees

20

Speakers

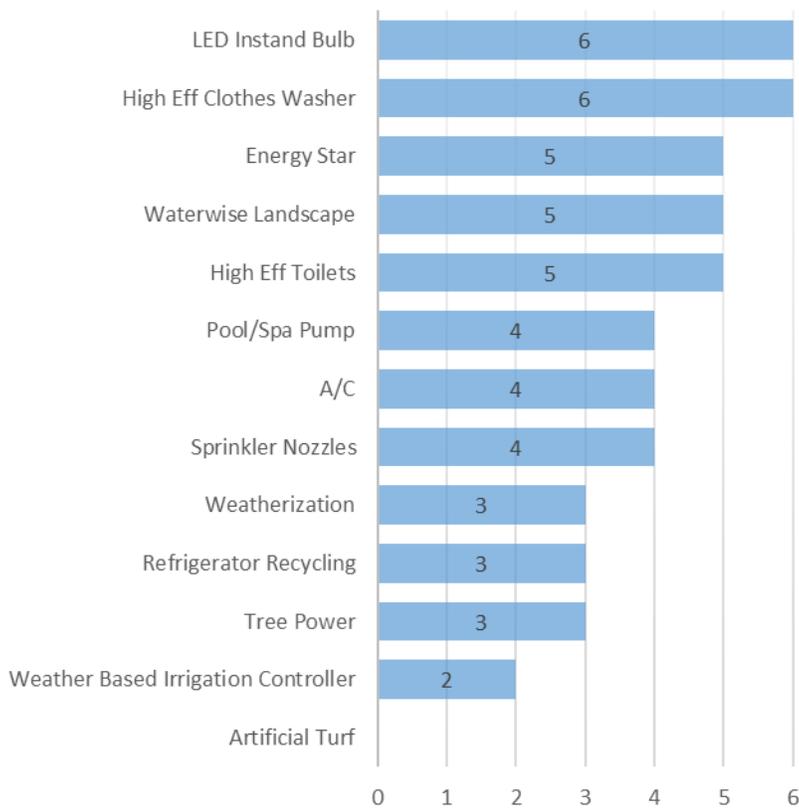
Chris Mac Arthur, Ward 5 City Council Member
Kevin Milligan, RPU Deputy General Manager

FEEDBACK CARD RESULTS - Ward 5 Community Meeting 11/6/2017

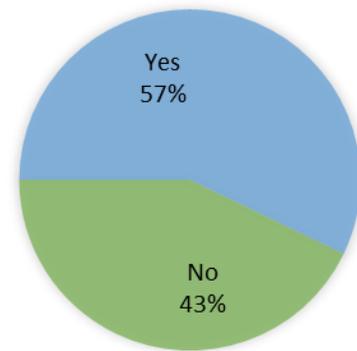
DID THE INFORMATION PROVIDED AT THE MEETING HELP YOU UNDERSTAND RPU'S RATE PROPOSAL?



NUMBER OF RESPONDENTS LIKELY TO USE AN RPU REBATE



57% OF RESPONDENTS KNOW ABOUT RPU'S 40 REBATE PROGRAMS

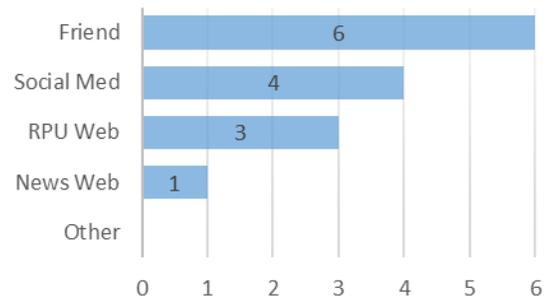


50% OF ATTENDEES WERE AWARE OF SHARE PROGRAM INCOME LIMITS

COMMENTS RECEIVED FROM ATTENDEES

1. Why did we not have a maintenance program? Why do we have such old infrastructure?
2. Grandfather the agricultural rate.
3. Great job.
4. Refuce to accept rate hikes!
5. Keep studying ways to incentivize food production. That's guaranteed path to resiliency and community wealth.

HOW PEOPLE HEARD ABOUT INFORMATIONAL MEETING



Meeting Handouts/Presentation

Click on below links to download

- [Community Meeting Presentation](#)
Referenced in below questions
- [Rate Proposal Flyer \(En Español\)](#)
- [Rate Proposal FAQs \(En Español\)](#)

Meeting Questions/Comments

Questions/Comments	Answers/Responses
Infrastructure Replacement	
Can RPU provide a map and time schedule for infrastructure investments?	Maps displayed at the community meeting provided information on the location of past and future infrastructure investments. RPU has a ten-year funding plan for needed capital replacements. RPU will report progress on implementing this plan annually to the Board of Public Utilities and City Council as part of its two-year budget and five-year finance plan. Capital improvements will take place in all wards and will benefit all RPU customers.
Who will do this work? City employees or contractors?	Both existing RPU employees and contractors will perform infrastructure replacement work. However, RPU will not hire any new employees. Most of the new work will be done by contractors and consultants to reduce employment costs to the utility.
Are we able to hire only Riverside contractors?	Typically, RPU conducts an open bidding process and accepts the lowest responsive bid in order to keep costs low for ratepayers.
Is RPU proposing to underground current poles and wires?	No. It is about five times more expensive to install and maintain underground electric distribution infrastructure. Based on city policy, all new developments have to install underground electric distribution infrastructure.

Questions/Comments	Answers/Responses
<p>I completely understand the need for better infrastructure, but a 71% increase in water prices in five years is too extreme and may be a sign of ineffective management.</p>	<p>RPU understands and appreciates the comment, which will be reflected to the Board of Public Utilities and City Council. The cumulative average rate increase is 25% for electric and 45% for water for the first five years. The proposed rates are based on legally required Cost of Service and Rate Design Studies conducted by independent consultants. Before asking for a rate increase, RPU has looked for every opportunity to reduce costs, improve operational efficiencies, and generate non-ratepayer revenues.</p>
<h3>Water Supply</h3>	
<p>Can you explain how some are RPU water customers and some are not?</p>	<p>Approximately 20% of Riverside, including Orangecrest and other southeastern portions of the city, receives their water service from Western Municipal Water District.</p>
<p>Does RPU provide water services in the county (outside city limits)?</p>	<p>Yes, there are a few water customers outside of the city limits. These customers are required to pay more for service.</p>
<p>Why do RPU customers pay money to Metropolitan Water District of Southern California through our property tax bills if we receive no water them?</p>	<p>The City of Riverside is within Metropolitan's service territory and subject to an ad valorem tax rate equal to 0.0035% of assessed property value. RPU maintains three imported water supply connections to Metropolitan's system. If its groundwater transmission pipelines are damaged due to an earthquake, RPU will be able to access emergency water supply through Metropolitan.</p>
<h3>Agriculture</h3>	
<p>The agricultural rates (WA-3 and WA-9) should be grandfathered in.</p>	<p>RPU understands and appreciates the comment, which will be reflected to the Board of Public Utilities and City Council.</p>
<p>Instead of selling our high-quality Gage Canal water to Western Municipal Water District, why doesn't RPU provide this water to its agricultural customers?</p>	<p>RPU does not sell Gage Canal water to Western Municipal Water District. RPU sells unused Bunker Hill Basin groundwater rights to Western under an agreement. RPU also treats and cleans about 80% of Gage Canal water to drinking water standards prior to its delivery to Gage Canal customers and shareholders. RPU provides any agricultural customer with access to the Gage Canal with Gage Canal water at the Greenbelt Irrigation Service (WA-8) rate, which is the same as the cost of water to shareholders plus a small (\$9.92) monthly billing service fee.</p>

Questions/Comments	Answers/Responses
Has RPU considered incentivizing agricultural development with food production in support of the Grow Riverside movement?	RPU held a community meeting on October 30 specifically to discuss proposed changes to WA-3 and WA-9 grove rates. State law (Proposition 218) does not allow subsidies between different customer classes. RPU plans to propose the formation of a task force to assist RPU in identifying opportunities to support agriculture consistent with state law. A summary of the October 30 community meeting, including customer comments, is available for download on RPU's Rate Plan and Public Meeting Documents webpage .
Couldn't Riverside's agriculture help RPU receive Cap and Trade funding by capturing greenhouse gasses?	RPU understands and appreciates this idea, which will be investigated by RPU with the assistance of the proposed agricultural rates task force.
Finance	
Please provide clarity on the Hillwood property, the lease of which provides the potential for \$45 million in additional revenues over time.	The Hillwood property, located in San Bernardino, was purchased by the utility in the past for its water rights. RPU no longer needs the land for water rights and can lease it for other uses. RPU believes leasing the property will provide greater long-term revenue, including ownership of a building on the property at the end of the 55-year lease.
Does RPU's rate calculator calculate the rate changes for each annual rate increase?	The electric rates calculator and water rates calculator includes current rates through March 2018 and proposed 5-year rates effective April 2018, and January 2019, 2020, 2021, and 2022.
What are the financial policies included in the presentation's pie chart (slides 21-22)? Can you provide links?	The RPU financial policies funded by the rate increase are 1) transferring 11.5% of gross utility revenues to the City General Fund, consistent with the City Charter; and 2) maintaining minimum reserve levels, consistent with City Council-adopted RPU Fiscal Policies .
Can RPU stop transferring revenues to the City's General Fund, especially after the passage of Measure Z? The City Council should revisit. Owning the utilities is like owning a store that brings in money, but when its front door is falling off the owner lessens the amount of money taken home in order to fix the door.	RPU understands and appreciates the comment, which will be reflected to the Board of Public Utilities and City Council. Riverside's City Charter provides for a transfer of up to 11.5% of RPU's gross revenues to the City's General Fund. This transfer helps fund public safety, emergency services, parks and recreation, and other community benefits. There are no proposed changes to this transfer.

Questions/Comments	Answers/Responses
<p>Why hasn't RPU had a rate increase in seven years? Given that we now have to play catchup, wouldn't it be better to have small rate increases every year to solve this problem?</p>	<p>RPU's electric and water rates have been frozen for seven years to help the community recover from the Great Recession. RPU is proposing that the City Council adopt a policy to require that rate increases are addressed each year, as suggested.</p>
<p>What is RPU doing to address the excessive overtime issue?</p>	<p>RPU accepts responsibility for large overtime payments in the past, and has taken proactive steps to fix the problem. Specifically, RPU was short three electric dispatchers. These positions have now been filled as of the end of September. Overtime will continue to be high in 2017 but will be lower than in 2016; by 2018 this will no longer be an issue. Additionally, RPU managers have changed various protocols related to requesting and approving overtime, which will lead to a reduction in overtime use.</p>
<p>What is RPU's monthly delinquency rate for unpaid bills?</p>	<p>RPU's delinquency rate is 0.2% for electric and 0.1% for water.</p>
<p>Does RPU's rate proposal impact or affect sewer or waste disposal fees?</p>	<p>No.</p>
<p>A year ago, didn't RPU have a surplus?</p>	<p>RPU was able to increase reserves in the past due to selling water and leasing utility-owned property. Also, RPU has not hired as many employees as budgeted, resulting in labor cost savings that add to higher reserves. Over the last two years, RPU has been using these reserves to pay for infrastructure replacements. However, reserves will soon decrease below the minimum level established by City Council policy.</p>
<p>Has the cost of service increased that much since when the City Council last voted to increase rates in 2006?</p>	<p>The last rate increases were approved in 2006 (water) and 2007 (electric) and went into effect in 2010. These rate increases helped pay for major infrastructure projects and ongoing reactive maintenance of the electric and water distribution systems. However, current rates do not provide sufficient funds for critical infrastructure replacements and increased costs associated with new regulatory requirements. Just like your household budget, costs tend to increase over time. The Consumer Price Index for general consumer goods has increased 13% since 2010 (RPU's last rate increase). Additionally, the State of California has passed new laws and regulations that have increased costs associated with renewable power, energy and water efficiency, and other areas of utility operations. RPU rates have not kept up with these increasing costs.</p>

Questions/Comments	Answers/Responses
Would it be possible to extend the rate increase from five to seven or eight years to lessen the sticker shock?	RPU appreciates this recommendation, and it will be reflected in RPU's revised rate proposal to the Board of Public Utilities and City Council on November 28.
How is the line of credit a benefit to us?	RPU is proposing to obtain an \$85 million line of credit, which will reduce cash reserve needs and keep rates low.
What is RPU's current Reliability Charge, how much is collected, what is it used for and will it go away?	The Reliability Charge was implemented in 2007 in order to repay bonds for the construction of four natural gas-fired power plants and a second interconnection to the statewide electric grid. RPU receives \$25 million annually through this charge. The current rate proposal will not change how the Reliability Charge is used. Residential customers and most commercial customers will not see any change to their Reliability Charge. Commercial time-of-use customers will be switched from a flat Reliability Charge to one that is tiered based on demand.
Governance	
Will the information to be presented at the November 28th workshop be available prior to the meeting?	Yes, all public meeting information will be publicly posted 12 days before the meeting.
What is the role of Proposition 218 in the rate-setting process? Does it require voter approval? What about Measure A?	Proposition 218, approved by California voters in 1996, imposes both substantive and procedural requirements for water rates. Substantively, the rates to provide such water service cannot exceed the cost to provide such service. If the rate exceeds the cost, then the City must seek voter approval for the amount in excess of the cost. The City did this in 2013, when Measure A asked voters to approve the water general fund transfer, which is a transfer of up to 11.5% of water utility gross revenues to the General Fund. Voters approved the transfer. Procedurally, Proposition 218 requires the City to provide written notice of a proposed rate increase to ratepayers. If a majority of the ratepayers protest the rate increase, in writing, then the City cannot adopt the rate increase.
Are the proposed rates based on an overall plan recommended by the City Council? Is there another plan being considered?	In 2015, RPU conducted a comprehensive master planning effort called " Utility 2.0 " and developed four options for future infrastructure and other investments. The City Council requested that RPU develop a rate proposal for Option 3 and to obtain community feedback. Based on community feedback, RPU will present the City Council and Board of Public Utilities with a revised rate proposal on November 28, 2017.