



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: April 6, 2012

ITEM NO: C

SUBJECT: PUBLIC HEARING - PROPOSED RECYCLED WATER CHARGE

ISSUE:

That the Board of Public Utilities conduct a public hearing and consider approval of the proposed Recycled Water Charge.

RECOMMENDATIONS:

That the Board of Public Utilities:

1. Conduct a public hearing to receive input on the proposed Recycled Water Charge for residential and non-residential water customers receiving service under Water Residential Meter Service (**Schedule WA-1**), Irrigation Metered Service (**Schedule WA-3**), Riverside Water Company Irrigators (**Schedule WA-4**), General Metered Service (**Schedule WA-6**), Special Metered Service (**Schedule WA-7**), Grove Preservation Service (**Schedule WA-9**), and proposed changes to **Water Rule 1** as outlined in this report;
2. Adopt a Resolution establishing the revised Schedules WA-1, WA-3, WA-4, WA-6, WA-7, WA-9 and Water Rule 1; and
3. Recommend that the City Council adopt the appropriate Resolution approving the above.

BACKGROUND:

For over 100 years, the delivery of safe and reliable water to its customers has been an essential service of Riverside Public Utilities (RPU). The City's water supplies primarily come from underground sources fed by melting snow from the San Bernardino Mountains. RPU is now developing additional safe, reliable, local, sustainable and cost effective water supplies. Part of this water supply will be recycled water which will be used to irrigate landscaping and recharge local groundwater levels for RPU wells. RPU is proposing a Recycled Water Charge to pay for the costs of added facilities, ensuring that Riverside customers have reliable sources of water for generations to come.

In 2010, RPU engaged a consultant to prepare a Recycled Water Facilities Plan which evaluated the potential direct use customer base, groundwater augmentation in the Riverside Basin, transfers to other water agencies, and the backbone transmission, storage and pump stations required to support a phased implementation. The consultant's proposed recycled water system was estimated at \$546 million in total capital expenditure from 2010 through 2030. The core distribution system would be designed to deliver an estimated 10,083 acre feet per year (AFY) of recycled water throughout the RPU service area to various identified recycled water customers for landscape irrigation. The proposed system would also convey approximately 10,000 AFY of recycled water up to the Pellissier Ranch area for groundwater recharge in the Riverside North Basin.

RPU staff believed a lower cost alternative was available and subsequently developed various recycled water distribution alternatives and recommended a two phased alternative to allow RPU to expand its recycled water system at an estimated cost of \$100 million. The alternative was presented to the Board of Public Utilities with the Water Supply Plan Update on October 7, 2011. At that time, the Board of Public Utilities endorsed the Water Supply Plan and financing mechanism.

On October 21, 2011, staff received approval from the Board of Public Utilities to move forward with the recycled water component of the Water Supply Plan and to develop a Recycled Water Charge to fund the Phase 1 Arlington-Central Avenue Pipeline Project.

Phase 1- Arlington-Central Avenue Pipeline Project

Phase 1 of the Recycled Water Plan is the Arlington-Central Avenue Pipeline Project which includes improvements to the distribution system and the Water Quality Control Plant. This project allows recycled water supply to be increased by 8,600 AFY within three to five years with an estimated capital cost of \$39 million. The increased supply of 8,600 AFY is comprised of 5,000 AFY for groundwater recharge, 2,600 AFY for wholesale exchange service to Western Municipal Water District (WMWD), and 1,000 AFY for direct use at schools, parks, parkways, medians and a cemetery. The Arlington-Central Avenue pipeline includes the addition of six miles of transmission and distribution pipelines, an interconnection for wholesale exchange service to WMWD, and a connection to Central Avenue's existing recycled water pipeline. The project elements of the Water Quality Control Plant include a dedicated service pipeline, new storage reservoir and pump station, and metering and control facilities.

The groundwater recharge elements of the project include a potential joint project with WMWD to use existing Riverside Canal and WMWD pump stations and pipelines to recharge the Arlington Basin and a separate connection to the Mockingbird Canyon Lake outlet to provide for storm water capture, diluent water for regulatory requirements, and create dual use recharge basins. Recycled water placed into the Riverside Canal would be conveyed downstream for groundwater recharge in the Arlington Basin by WMWD. Groundwater recharge in the Arlington Basin would help improve water quality, the safe yield of that basin, and production from the Arlington Desalter Plant.

Recycled Water Charge

The proposed recycled water project will free up additional water supply and protect customers from the future costs of importing water in order to meet future demands. Water demand could exceed local developed supply by 2015 and staff has estimated that the cost of imported water could range between \$1,300 per acre foot in 2020 to \$2,500 per acre foot in 2035.

Phase 1 of the Recycled Water Plan will benefit all RPU potable water customers by increasing local water supply through the increased use of recycled water for irrigation and to recharge local groundwater. Therefore, the cost of this project is a reasonable component of all potable water customers' water rates.

The following table sets forth the recommended monthly Recycled Water Charge to fund Phase 1 of the Recycled Water Plan. The Recycled Water Charge is calculated as a fixed monthly charge that varies by meter size. Customers with larger meter sizes tend to have higher water usage and benefit the most from the use of recycled water as they place the greatest demands on the potable water supply, thus receiving higher Recycled Water Charge. The proposed Recycle Water Charge is not applicable to customers served under the Flat Rate-Temporary Service (Schedule WA-2), Fire Protection Services and Fire Hydrants (Schedule WA-5), Greenbelt Irrigation Service (Schedule WA-8) and Recycled Water Service (Schedule WA-10).

Monthly Recycled Water Charge by Meter Size

Meter Size	Effective 2012	Effective 2013
5/8 and 3/4	\$2.00	\$4.00
1-inch	\$3.34	\$6.68
1.5-inch	\$6.00	\$12.00
2-inch	\$8.66	\$17.32
3-inch	\$23.34	\$46.68

Meter Size	Effective 2012	Effective 2013
4-inch	\$40.00	\$80.00
6-inch	\$83.34	\$166.68
8-inch	\$186.66	\$373.32
10-inch	\$293.34	\$586.68
12-inch	\$333.34	\$666.68
Annual Revenue (Millions)	\$2.2	\$4.5

Financial Planning

In 2011, Standard & Poor's upgraded the Water Utility's long term bond rating to AAA which is the highest possible rating for any long-term bonds. This puts Riverside's Water Utility in an elite class of highly rated water utilities, and will result in significantly lower interest costs to fund Phase 1 of the Recycled Water Plan. The proposed plan continues sound financial and management policies.

Finance Committee

On October 28, 2011, the Finance and Marketing Committee recommended that the Recycled Water Charge be brought directly to the Public Utilities Board for consideration.

Board of Public Utilities

On December 2, 2011, the Board of Public Utilities recommended that a public hearing be held to implement the Recycled Water Charge.

City Council

On March 6, 2012, the City Council supported moving forward with the Recycled Water Plan.

Effective Dates

The proposed Recycled Water Charge, as set forth in the attached Water Rule and Rate Schedules, consists of two separate charges. The first charge will go into effect following adoption by the Board of Public Utilities and approval by the City Council, and the second charge will take effect one year thereafter.

Phase 2

A plan of finance for Phase 2 facilities will be developed in the coming years to facilitate development by 2020.

FISCAL IMPACT:

The total estimated cost of the Phase 1 of the Recycled Water Plan is \$39 million. The proposed Recycled Water Charge will be used to pay debt service and operations and maintenance of Phase 1, as well as the dedicated facilities at the Water Quality Control Plant.

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 Approved as to form: Gregory P. Priamos, City Attorney

Attachments:

1. Resolution
2. Recommended Rule and Rate Schedules:
 - A. Proposed Water Rate Schedules effective 2012 (red-lined)
 - B. Proposed Water Rate Schedules effective 2013 (red-lined)
 - C. Proposed Water Rule 1 (red-lined)