



# BOARD OF PUBLIC UTILITIES

## PUBLIC HEARING

Wednesday, January 06, 2010

**8:00 a.m.**

PUBLIC UTILITIES BOARD ROOM, 3901 ORANGE STREET  
Public Utilities Administration Office - 951-826-5781

**Board Members:**  
Bob Stockton – Chair  
Ken Sutter – Vice Chair  
Mary Curtin  
Robert Elliott  
Bernie Titus  
Ian Davidson  
Manny Sanchez  
Justin Scott-Coe  
Gustavo Segura

### MISSION STATEMENT

The City of Riverside Public Utilities Department is committed to the highest quality water and electric services at the lowest possible rates to benefit the community

### PLEDGE OF ALLEGIANCE TO THE FLAG

The following information and recommendations pertaining to Riverside Public Utilities are submitted for your information and action:

### PUBLIC HEARING

- Call Public Hearing to Order
- Roll Call of Board of Public Utilities
- Open Public Hearing and Review Rules of Conduct
- Staff will present recommendations on the following items:

#### A. **RE-OPEN ECONOMIC DEVELOPMENT RATE FOR NEW AND EXPANDED LOAD CUSTOMERS, ADD “GREEN” BUSINESSES TO ELIGIBILITY CRITERIA, AND ESTABLISH A NEW BUSINESS RETENTION RATE FOR EXISTING CUSTOMERS**

That the Board of Public Utilities:

1. Conduct a public hearing to receive public input related to the re-opening of the Schedule ED Rate for new or expanded load industrial customers, add “green” businesses to eligibility criteria, and the establishment of the new Business Retention Rate (Schedule BR) for existing industrial customers;
2. Adopt a resolution establishing Electric Rate Schedule ED and Electric Rate Schedule BR; and
3. Recommend that the City Council adopt the appropriate resolution approving the above recommendations.

### GENERAL MANAGER’S REPORT

The City of Riverside wishes to make all of its public meetings accessible to the public. Upon request, this agenda will be made available in appropriate alternative formats to persons with disabilities, as required by Section 202 of the Americans with Disabilities Act of 1990. Any person who requires a modification or accommodation in order to participate in a meeting, should direct such request to the City's ADA Coordinator at (951) 826-5427 or TDD at (951) 826-5439 at least 72 hours before the meeting, if possible.

Agenda related writings or documents provided to the Board of Public Utilities are available for public inspection in a binder located in the lobby/meeting room while the Board of Public Utilities is in session.



# RIVERSIDE PUBLIC UTILITIES

## Board Memorandum

**BOARD OF PUBLIC UTILITIES**

**DATE:** January 6, 2010

**ITEM NO:** A

**SUBJECT:** RE-OPEN ECONOMIC DEVELOPMENT RATE FOR NEW AND EXPANDED LOAD CUSTOMERS, ADD “GREEN” BUSINESSES TO ELIGIBILITY CRITERIA, AND ESTABLISH A NEW BUSINESS RETENTION RATE FOR EXISTING CUSTOMERS

**ISSUE:**

Consider re-opening electric Economic Development (Schedule ED) Rate for new or expanded load industrial customers, add “green” businesses to eligible criteria and establish a new Business Retention Rate (Schedule BR) for existing industrial customers.

**RECOMMENDATIONS:**

That the Board of Public Utilities:

1. Conduct a public hearing to receive public input related to the re-opening of the Schedule ED Rate for new or expanded load industrial customers, add “green” businesses to eligibility criteria, and the establishment of the new Business Retention Rate (Schedule BR) for existing industrial customers;
2. Adopt a resolution establishing Electric Rate Schedule ED and Electric Rate Schedule BR; and
3. Recommend that the City Council adopt the appropriate resolution approving the above recommendations.

**SUMMARY:**

The City Council approved the Economic Development Rate on May 2, 2000. This rate required a four-year agreement that provided rate reductions in the first two years, while still recovering all variable costs to serve the new load during the initial years. The customer would transition to full tariff rates by years 3 and 4. Besides encouraging economic development, the rate also encouraged local job growth and an expanded tax base. Subsequent modifications were made to attract research and development, and high technology companies and incorporate other clarifying criteria for rate applicability. In December 2006, due to concerns regarding load growth and import capability, Schedule ED was suspended pending reliability improvements to electric facilities. Completion of Units 3 and 4 of the Riverside Energy Resource Center, anticipated in fall 2010 will eliminate concerns over power delivery capability and re-opening the Schedule ED rate is recommended. Also recommended is application of Schedule ED to qualifying “Green” businesses.

The Schedule ED proposed rate reduction is as follows:

Year 1 – 40%; Year 2 – 20%; Year 3 – 0%; and Year 4 – 0%.

The Utility also proposes a new Business Retention Rate (Schedule BR) to help mitigate additional impacts from the prolonged economic downturn to existing customers that could result from a potential relocation of an existing large load business outside of the electric service territory. Schedule BR would provide a two year rate incentive for mid and off peak energy usage under the customer’s otherwise applicable rate tariff.

The Schedule BR proposed rate reduction for mid and off peak energy usage is as follows:

Year 1 – 15%; Year 2 – 15%; Year 3 – 0%; and Year 4 – 0%.

Approval of the proposals in this report aligns with the City Council's recently adopted "Seizing Our Destiny: The Agenda for Riverside's Innovative Future" in that it targets high technology firms and green technology/manufacturing companies as outlined in Exemplary Initiatives 1.1 and 1.5.

### **BACKGROUND:**

On May 2, 2000, the City Council approved the adoption of the Schedule ED. This rate enhanced the City's ability to attract and retain large, expanded load or new industrial customers who provide significant increases in electric revenues, jobs, private investment, and other economic, social and environmental benefits. Schedule ED requires a four-year commitment from eligible customers. On October 17, 2000, the City Council adopted Resolution No. 19784, which restricted the application of the rate to those customers who not only met the rate requirements, but also covenanted to either create at least 20 jobs, invest at least \$1,000,000 in capital improvements or annually generate at least \$5,000,000 in taxable sales.

The City Council closed this rate in 2006 when RPU began to experience increased load growth that, together with the City's internal generation, could have exceeded existing import capability at the Vista substation during peak periods. Due to the economic downturn, load growth has not reached expected levels. The reduced load growth, coupled with RPU's construction of an additional 96 MW of internal generation (Riverside Energy Resource Center Units 3 and 4) scheduled for commercial operation in fall 2010, now allow for the re-introduction of an economic development rate incentive to encourage business growth.

On December 19, 2006, the City Council approved the three-year 2007-2009 Electric Reliability Rate Plan whose primary purpose was funding construction of two large projects to ensure future reliability and replacement of expiring, lower-cost power contracts. The two projects are the Riverside Transmission Reliability Project (RTRP) consisting of a second point of interconnection with California's high voltage transmission grid, and the Riverside Energy Resource Center (RERC) Units 3 and 4 consisting of two additional electric peaking generation units to meet the City's increasing power demand, avoid rolling blackouts, and provide emergency power for essential City services during emergencies. Based upon input received at various community presentations, suspension of rate Schedule ED was approved by Council, pending completion of the system improvements to mitigate concerns over power support capability.

### **Challenges Considered in Creating Economic Development Rate Incentives**

Many major utilities in California (both municipal and investor-owned) have some form of an economic development rate. Some of the challenges considered when proposing such a rate are:

1. Ensuring that the rate and term provide a balance between cost recovery and long-term revenue enhancement for the utility;
2. Offering meaningful savings to customers that will influence decisions to move to Riverside, expand existing facilities or remain in the city;
3. Devising an application of the rate that enhances job creation and economic vitality without creating a disadvantage to existing businesses;
4. Having an approval process that is insulated from individual influence that might compromise the spirit and intent of the policy; and
5. Ensure that the economic development rate has no negative impacts on other customers.

The rate is targeted towards larger, industrial-sized customers as their large electric-loads assist in reducing overhead costs to all utility customers. Smaller customers are already included in the City's power planning process, and do not bring unanticipated load or revenues that provide meaningful benefits to other utility customers.

## Pricing Approach

Companies under Schedule ED execute a standard, four-year ED rate agreement. Under the agreement, the ED customer receives a substantial electric rate reduction for two years. For years three and four of the agreement, the ED customer transitions to their otherwise applicable tariff ("OAT"), which is the customer's normal rate in effect at that time. If the ED customer terminates their service at any time during the agreement, the ED customer must pay the City the total amount of the discounted rate. In general, RPU delivers electricity to customers through distribution and transmission facilities. These facilities represent long-term capital investment whose dollars are spread amongst all customers and recovered over periods in the range of 20 to 30 years. Energy is produced and/or obtained from generation facilities through long-term contracts to meet base load needs, with cyclical and peaking needs obtained through short-term contracts, internal generation or on the open market. The purchases through short-term contracts and the open market represent the marginal cost of power for increased load requirements. RPU has a number of fixed costs which must be paid regardless of customer demand or load. Additional revenue generated by expanded load (new customers) will reduce the costs to existing customers, as the fixed costs will be allocated over a larger group of customers. Here is a brief description of RPU's fixed costs:

Distribution and Transmission Costs: Cost recovery for distribution and transmission facilities are built into electric rates based upon the number and load of existing customers and include a limited growth factor. Cost recovery for these fixed-costs are spread over several decades so it would be possible to reduce or eliminate these charges for new customers over a limited time frame. This benefit could be made available to customers bringing significant new load to the utility if it were expected there would be a measureable long-term increase in revenues. Over a longer, several-year period, an increase of new customer load would help reduce the overall distribution and transmission costs for all customers. *It would therefore be reasonable to defer charging full costs for distribution and transmission service to new large customer load for an initial two year period if it were determined that the customer would permanently locate in RPU's service territory.*

Generation Costs: Energy costs for a significant new load represent RPU's marginal cost of power, a variable cost. At a minimum, any new customer should be charged for this marginal cost to ensure RPU receives revenues to cover new costs. Marginal costs do not include all fixed costs, so the rate should be transitioned to the average cost within a short period of time.

The structure of the reduced electric Schedule ED rate frontloads the rate discount to assist in offsetting the ED customer's relocation or expansion costs; however, it does not provide a long-term reduced rate that could provide a competitive advantage over other existing Riverside businesses.

## Qualification Process

One of the most difficult parts of developing a Schedule ED rate incentive is the issue of new customers being provided a competitive rate advantage over existing customers. Several mitigating factors are suggested to alleviate this concern. First is the duration of the rate incentive. As there is only a two year reduction of rates, these cost savings would not be built into the overall pricing strategy of the customer's product. The reduction in electric costs is meant to offset relocation, permitting or start-up costs.

The next mitigating factor is based upon the size of the customer that could qualify for the economic development rate incentive. The type of business large enough to be eligible for the rate incentive would usually have regional, national and international markets and would not pose competition to local vendors. This rate reduction would not provide a competitive advantage that would give the new customers a long-range price cost advantage over local business customers. Therefore, other local competitors should not be impacted with the short-term reduction in the rates provided.

Another factor is that the rate is offered to customers for a minimum four-year period. This means that the rate is not given to the developer of a building unless the developer is also the owner of the business. While it is not necessary that the customer own the facility within which they operate, the economic development rate agreement shall remain with the same customer for four years and is not transferrable.

## **Incentives Offered by the Economic Development Rate**

Based upon the above information, a Schedule ED rate incentive could be applicable to four types of potential customers: (1) new customers with a monthly demand of at least 500 kW; (2) existing customers that will increase their monthly demand by the greater of 150 kW or 20 percent; (3) new research, development or technology companies; and (4) new “green” businesses. Total cumulative participation for qualified business at any given time under categories (1) and (2) would be limited to a maximum 25 megawatts (MW), categories (3) and (4) would be limited 5 MW. Application of the rate would be subject to standards and guidelines adopted by the City Council, similar to those adopted in 2000, requiring the customer to covenant to create jobs, invest capital or generate taxable sales.

Typical customers at the 500 kW size could be a single business entirely occupying a large office building, two to three aggregated supermarkets, a large manufacturing facility, a refrigerated distribution warehouse or a large amusement park.

The Schedule ED rate is proposed to be offered to a limited number of companies that engage in research and high technology activities, in an effort to incubate new businesses that may provide increased loads. Additionally, the rate is proposed for new “green” technology/manufacturing businesses that locate within Riverside. Limiting participation in the program will insulate existing customers from rate impacts resulting from these qualified businesses.

For the purposes of this rate, Green Technology/Manufacturing businesses are defined as businesses that primarily conduct research and development or manufacturing of products related to energy efficiency, alternative energy or renewable energy. Non-green related business activities may be ancillary to the primary “Green Business” functions of the company receiving the rate. On December 15, 2009, the City Council formally adopted the document entitled “Seizing our Destiny: The Agenda for Riverside’s Innovative Future”. This is the City’s newly adopted economic development strategic vision. Within this important document, under Exemplary Initiative 1.1, the City identified five desirable target industries, including innovative, high technology firms and green technology/manufacturing companies. In addition, Exemplary Initiative 1.5 specifically identified establishing incentives around utility economic development rates as another important tool to assist in attracting these target industries resulting in new high-paying jobs for residents and increased private investment in Riverside. Attracting and expanding these green technology/manufacturing companies will potentially have the additional benefit of assisting the City in reaching its energy efficiency and renewable energy goals by partnering with these companies and their technologies and products.

In general, normal load growth from the addition of small customers has already been factored into load projections, so it is generally not beneficial to other customers to provide rate incentives to smaller sized commercial customers. RPU has other programs that provide assistance to commercial customers with lowered electrical usage. These programs, funded by Public Benefit dollars, reduce energy bills or reduce capital costs of installing energy efficient equipment

The Schedule ED rate incentive for new and expanded load customers would be consistent with the previously approved rate incentives, in the form of a two-year staggered reduction from the customer’s existing published rate, but would require the customers to sign a four-year full service agreement with RPU. The proposed rate reduction is as follows:

Year 1 - 40%; Year 2 - 20%; Year 3 - 0%; and Year 4 - 0%

The four-year agreement provides a guarantee the customers would provide for the recovery of their share of fixed-costs, in that the customer must pay their normal rates (comparable to similar customers) in the third and fourth years of the agreement. If the customer terminates service at any time during the agreement, the customer must repay RPU for the reduced rate. After the four-year agreement terminates, the customer would pay their otherwise applicable rates, with no further repayment obligations.

Customers may only qualify for the economic development rate incentive if: 1) the customer can demonstrate new monthly demand of at least 500 kW or expanded monthly load of 20% or 150kW, whichever is greater; or 2) regardless of load, fall within a very specific definition of “research, development or technology” business or “green” business.

### **Incentives Offered by the Business Retention Rate**

Departure or relocation of large load customers could have severe negative impacts to other existing customers, the Utility and the City as this loss of load would reduce the customer rate base to allocate and collect fixed generation, transmission and distribution costs.

A new Schedule BR rate is proposed for existing large customers with a monthly demand of at least 150 kW that execute an affidavit that “but for” the economic development retention rate incentives, in combination with other city-sponsored-incentives, such customer would relocate outside of the City’s electric service territory. Program participation would be limited to a maximum level of 20 megawatts at any given time. The proposed incentive rate reduction applies to mid and off peak energy usage as follows:

Year 1 - 15%; Year 2 - 15%; Year 3 - 0%; and Year 4 - 0%

Offering the discount on mid-peak and off-peak energy usage will not impact existing customers as the Utility typically has excess energy during these periods under its existing base load generation contracts

### **Appeals Process**

Applicability for either Schedule ED or Schedule BR will be determined by the Public Utilities General Manager, in accordance with further standards and conditions to be adopted, via resolution, by the Board of Public Utilities and the City Council. The General Manager’s denials of the application of rate incentives offered under Schedule ED or Schedule BR can be appealed to the Public Utilities Board.

### **Finance Committee Approval**

On November 20, 2009, the Finance and Marketing Committee approved re-opening Schedule ED upon completion of RERC Units 3 and 4, thus eliminating concerns over system constraints. Also proposed are modifications to the approval process, adding new eligibility criteria for “Green” businesses, routine administrative updates and other non-substantive changes.

### **Remaining Actions**

If approved, Schedule ED will take effect on October 1, 2010 (the estimated completion date for RERC Units 3 and 4). Schedule BR will take effect immediately, but the application process will most likely take several months, as RPU confirms the customer’s information. In the interim, the Board of Public Utilities and the Council will (1) approved standard ED and BR rate agreements; and (2) adopt resolutions, establishing and approving approve standards and guidelines for application of each schedule, similar to those established by City Council resolution 19784.

### **FISCAL IMPACT:**

There is no negative fiscal impact from these rates. By offering Schedule ED, new or expanding load customers immediately pay all power and transmission costs, while phasing in full distribution costs over a two-year period. The Schedule BR will allow for industrial businesses to continue operations in the City. Offering Schedule ED will result in increased revenues to RPU and the General Fund, job creation, and attraction of “green” businesses, while Schedule BR will result in continued revenues to RPU and the General Fund.

Prepared by: Reiko A. Kerr, Assistant General Manager Finance/Customer Services  
Approved by: David H. Wright, Public Utilities General Manager  
Approved by: Belinda J. Graham, Assistant City Manager

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

Attachments: Recommended Rate Schedules

A. Resolution

B. Proposed Electric Rate Schedule ED

C. Proposed Electric Rate Schedule BR

1 RESOLUTION NO. 2010-01

2 A RESOLUTION OF THE BOARD OF PUBLIC UTILITIES OF THE CITY  
3 OF RIVERSIDE, CALIFORNIA, (1) ADOPTING THE ECONOMIC  
4 DEVELOPMENT RATE (SCHEDULE ED) AND THE BUSINESS  
5 RETENTION RATE (SCHEDULE BR); (2) MAKING RELATED FINDINGS  
6 OF FACT; AND (3) RECOMMENDING CITY COUNCIL APPROVAL  
7 THEREOF

8 WHEREAS, the City of Riverside (“City” or “Riverside”) by and through its Public  
9 Utilities Department (“RPU”) is obligated to (1) serve its electric customers safe, reliable and  
10 equitably priced electricity, (2) operate its Electric Utility in an efficient and economical manner,  
11 and (3) operate, maintain and preserve its Electric Utility in good repair and working order; and

12 WHEREAS, on May 2, 2000, the City Council approved the adoption of rate Schedule  
13 ED, “Economic Development” (“the ED rate”). This rate enhanced the City’s ability to attract  
14 and retain new or expanded load industrial customers who provide significant increases in  
15 electric revenues. On October 17, 2000, the City Council adopted Resolution No. 19784, which  
16 restricted the application of the rate to those customers who not only met the rate requirements,  
17 but also covenanted to either create at least 20 jobs, invest at least \$1,000,000 in capital  
18 improvements or annually generate at least \$5,000,000 in taxable sales; and

19 WHEREAS, the City Council closed this rate in 2006 when RPU began to experience  
20 increased load growth that, together with the City’s internal generation, could have exceeded  
21 existing import capability at the Vista substation during peak periods. Due to the economic  
22 downturn, load growth has not reached expected levels. The reduced load growth, coupled with  
23 RPU’s construction of an additional 96 MW of internal generation (Riverside Energy Resource  
24 Center Units 3 and 4) scheduled for commercial operation in fall 2010, now allow for the re-  
25 introduction of an economic development rate incentive to encourage business growth; and

26 WHEREAS, the ED rate is targeted towards larger, industrial-sized customers as their  
27 large electric-loads assist in reducing overhead costs to all utility customers. Smaller customers  
28 are already included in the City’s power planning process, and do not bring unanticipated load or  
revenues that provide meaningful benefits to other utility customers; and

WHEREAS, in general, RPU delivers electricity to customers through distribution and

1 transmission facilities. These facilities represent long-term capital investment whose dollars are  
2 spread amongst all customers and recovered over periods in the range of 20 to 30 years. Energy  
3 is produced and/or obtained from generation facilities through long-term contracts to meet base  
4 load needs, with cyclical and peaking needs obtained through short-term contracts, internal  
5 generation or on the open market. The purchases through short-term contracts and the open  
6 market represent the marginal cost of power for increased load requirements. RPU has a number  
7 of fixed costs which must be paid regardless of customer demand or load. Additional revenue  
8 generated by expanded load (new customers) will reduce the costs to existing customers, as the  
9 fixed costs will be allocated over a larger group of customers.

10 WHEREAS, cost recovery for distribution and transmission facilities are built into  
11 electric rates based upon the number and load of existing customers and include a limited growth  
12 factor. Cost recovery for these fixed-costs are spread over several decades so it would be  
13 possible to reduce or eliminate these charges for new customers over a limited time frame. This  
14 benefit could be made available to customers bringing significant new load to the utility if it  
15 were expected there would be a measureable long-term increase in revenues. Over a longer,  
16 several-year period, an increase of new customer load would help reduce the overall distribution  
17 and transmission costs for all customers. It would therefore be reasonable to defer charging full  
18 costs for distribution and transmission service to new large customer load for an initial two year  
19 period if it were determined that the customer would permanently locate in RPU's service  
20 territory; and

21 WHEREAS, energy costs for a significant new load represent RPU's marginal cost of  
22 power, a variable cost. At a minimum, any new customer should be charged for this marginal  
23 cost to ensure RPU receives revenues to cover new costs. Marginal costs do not include all fixed  
24 costs, so the rate should be transitioned to the average cost within a short period of time; and

25 WHEREAS, the ED rate incentive for new and expanded load customers would be  
26 consistent with the previously approved rate incentives, in the form of a two-year staggered  
27 reduction from the customer's existing published rate, but would require the customers to sign a  
28 four-year full service agreement with RPU. The proposed rate reduction is Year 1 - 40%; Year 2

1 - 20%; Year 3 - 0%; and Year 4 - 0%; and

2 WHEREAS, the four year agreement provides a guarantee the customers would provide  
3 for the recovery of their share of fixed-costs, in that the customer must pay their normal rates  
4 (comparable to similar customers) in the third and fourth years of the agreement. If the customer  
5 terminates service at any time during the agreement, the customer must repay RPU for the  
6 reduced rate. After the four-year agreement terminates, the customer would pay their otherwise  
7 applicable rates, with no further repayment obligations; and

8 WHEREAS, customers may only qualify for the economic development rate incentive if  
9 1) the customer can demonstrate new monthly demand of at least 500 kW or expanded monthly  
10 load of 20% or 150kW (whichever is greater) or 2) regardless of load, fall within a very specific  
11 definition of “research, development or technology” business or “green” business; and

12 WHEREAS, departure or relocation of large load customers could have severe negative  
13 impacts to other existing customers, RPU and the City as this loss of load would reduce the  
14 customer rate base to allocate and collect fixed generation, transmission and distribution costs;  
15 and

16 WHEREAS, a new Schedule BR rate is proposed for existing large customers with a  
17 monthly demand of at least 150 kW that execute an affidavit that “but for” the economic  
18 development retention rate incentives, in combination with other city-sponsored-incentives, such  
19 customer would relocate outside of the City’s electric service territory. Program participation  
20 would be limited to a maximum level of 20 megawatts at any given time. The proposed  
21 incentive rate reduction applies to mid and off peak energy usage is Year 1 - 15%; Year 2 - 15%;  
22 Year 3 - 0%; and Year 4 - 0%; and

23 WHEREAS, offering the discount on mid-peak and off-peak energy usage will not  
24 impact existing customers as RPU typically has excess energy during these periods under its  
25 existing base load generation contracts; and

26 WHEREAS, staff recommends adopting Schedules ED and BR; and

27 WHEREAS, the City’s Board of Public Utilities (“Board”) is charged by Section 1202(e)  
28 of the City Charter to establish rates, subject to the approval of the City Council; and

1           WHEREAS, a public hearing, notice of which was duly published in The Press-  
2 Enterprise on December 22, 2009 and December 30, 2009 in compliance with Government Code  
3 Sections 66018 and 6062a, was held on January 6, 2010 at 8:00 a.m. to consider rate Schedules  
4 ED and BR, and to receive and consider the staff report, cost analysis and oral and written  
5 comments thereon from the public, and after receipt and consideration thereof the Board  
6 concluded the hearing; and

7           WHEREAS, the Board intends to adopt and establish all of the recommended Electric  
8 Utility rate changes, corresponding changes to electric rate schedules, and any other penalties or  
9 charges.

10           NOW, THEREFORE, BE IT RESOLVED by the Board of Public Utilities of the City of  
11 Riverside, California, on the basis of the staff report and the other evidence submitted by the  
12 Department during the Board's public hearing and at the January 6, 2010 Board meeting, as  
13 follows:

14           Section 1:     The foregoing recitals, including the facts set forth in the staff report and  
15 the other evidence submitted by the Department during the Board's public hearing, are true and  
16 correct and are adopted and incorporated herein by reference as findings of fact of this Board.

17           Section 2:     The Board hereby finds and determines that reopening the Economic  
18 Development Rate, and adopting the Electric Rate Schedules attached hereto as Exhibits A and  
19 B, and any revisions thereto, and incorporated herein by this reference, are for the purposes of  
20 (1) meeting operating expenses, including employee wage and fringe benefits, (2) purchasing or  
21 leasing supplies, equipment or materials, (3) meeting financial reserve needs and requirements,  
22 (4) obtaining funds for capital projects necessary to maintain service within existing service  
23 areas, and (5) obtaining funds necessary to maintain those intracity transfers which are  
24 authorized by the City Charter, and the Board further finds and determines that the increased  
25 rates are exempt from the provisions of the California Environmental Quality Act under *Public*  
26 *Resources Code* Section 21080(b)(8).

27           Section 3:     Rate Schedule ED, as set forth in Exhibit A, is hereby adopted and  
28 established under and pursuant to Section 1202 (e) of the Charter of the City of Riverside,

1 California, is recommended for approval by the City Council of the City of Riverside, California,  
2 and shall become effective October 1, 2010.

3 Section 4: Rate Schedule BR, set forth in Exhibit B, is hereby adopted and established under  
4 and pursuant to Section 1202 (e) of the Charter of the City of Riverside, California, is  
5 recommended for approval by the City Council of the City of Riverside, California, and shall  
6 become effective concurrent with City Council approval.

7 ADOPTED by the Board of Public Utilities of the City of Riverside, signed by its  
8 Chairman and attested by its Secretary this \_\_\_\_\_ day of January, 2010.

9  
10  
11 \_\_\_\_\_  
12 Chairman of the Board of Public Utilities,  
City of Riverside, California

13 Attest:

14  
15  
16  
17 \_\_\_\_\_  
18 Secretary of the Board of Public Utilities  
City of Riverside, California

19  
20  
21 I, David H. Wright, Secretary of the Board of Public Utilities of the City of Riverside,  
22 California, hereby certify that the foregoing Resolution was duly and regularly introduced and  
23 adopted by the Board of Public Utilities of said City at its meeting held on the \_\_\_\_\_ day of  
24 January, 2010, to wit:

25 Ayes:

26 Noes:

27 Absent:

28 Abstain:

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

IN WITNESS WHEREOF, I have hereunto set my hand this                    day of January,  
2010.

\_\_\_\_\_  
Secretary to the Board of Public Utilities  
City of Riverside, California

O:\Cycom\WPDocs\D028\P009\00027423.DOC  
12/28/09 sw 09-2569

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**EXHIBIT A**  
**TO BOARD RESOLUTION**  
**SCHEDULE ED**  
**(Effective October 1, 2010)**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**EXHIBIT B**

**TO BOARD RESOLUTION**

**SCHEDULE BR**

**(Effective Concurrent with City Council Approval)**

**SCHEDULE ED**  
**ECONOMIC DEVELOPMENT RATES – ATTRACTION AND EXPANSION**

**Applicability:**

Applicable to services for all types of uses, including lighting, power and heating, alone or combined.

This Schedule is applicable to all or part of the services provided to New Customers, Expanded Load Customers, and new Research, Development or Technology Customers, or new Green Technology/ Manufacturing customers that:

- A. Are commercial or industrial end-use customers, and
- B. Are approved by the General Manager of Riverside Public Utilities, based upon standards and guidelines established and adopted by resolution of the Riverside Board of Public Utilities and approved by resolution of the City Council; and
- C. Satisfy the following criteria as a New Customer, Expanded Load Customer, a Research, Development or Technology New Customer, or a Green Technology/ Manufacturing New Customer.
  - 1. A New Customer shall be a customer locating in Riverside's service territory within one year prior to the effective date of the Economic Development Rate Agreement that:
    - a. is a Research, Development or Technology business with a qualified NAICS Code in the relevant table in Section 14 of this Schedule; or
    - b. has a projected minimum monthly electrical demand of at least 500 kW; or
    - c. is a Green Technology/Manufacturing business with a:
      - i. Qualified NAICS Code in the relevant table in Section 14 of this Schedule; and
      - ii. Meets the definition of a Green Technology or Green Manufacturing Business which is defined for the purposes of this Schedule as those businesses whose primary purpose is research, development or manufacturing of energy efficiency, alternative energy or renewable energy products; or

2. An Expanded Load Customer shall be an existing load customer of Riverside that is adding new load to Riverside by the greater of Twenty Percent (20%) of the existing customer's Base Period Usage or 150 kW. The ED rate will be applied only to the expanded load as determined in Section 6, Base Usage Period:
  - a. at its current site; or
  - b. at a new site within Riverside to which it is relocating operations that are substantially similar to those at the old site: or
  - c. a new site within Riverside with operations that the Department determines are substantially similar to those of the existing site(s), and that is in addition to customer's existing site(s).

**Territory:**

City of Riverside

**Rates:**

Except as provided herein, or in the Economic Development Rate Agreement, all charges and provisions of the customer's Otherwise Applicable Tariff shall apply. The bundled charges or the total of the unbundled charges under the customer's Otherwise Applicable Tariff shall be reduced as follows:

Year 1 – 40%  
Year 2 – 20%  
Year 3 – 0%  
Year 4 – 0%

Rates under this Schedule shall be subject to a Minimum Charge computed as set forth in the Economic Development Rate Agreement.

**Special Conditions:**

**1. Term:**

Economic Development Rate Agreements entered into under this Schedule shall be for a single four-year term.

**2. Otherwise Applicable Tariff:**

The Utility's published electric rate schedule which otherwise applies to Customer for service provided under this Schedule, provided however Schedule CS shall not be a Customer's Otherwise Applicable Tariff.

**3. Approval:**

Application of this Schedule shall be subject to approval of the Public Utilities General Manager. The General Manager's approval shall be based upon standards and guidelines established and adopted by resolution of the Riverside Board of Public Utilities and approved by resolution of the City Council. The standards and guidelines: 1) shall include but not be limited to the consideration of such factors as job creation, property tax increment, private investment, land use, City's business base, location of new load within a Riverside Redevelopment Project Area, and City's overall economic development strategic vision; and 2) shall provide adequate protection against arbitrary application of this Schedule.

The General Manager's decision to disapprove application of this Schedule to a customer shall be appealable to the Riverside Board of Public Utilities, not later than thirty days after Riverside notifies the customer of the General Manager's decision. Customer shall file a written appeal with the Riverside City Clerk setting forth the grounds on which the appeal is based. The Riverside Board of Public Utilities shall consider the appeal within thirty (30) days after receipt of the written appeal, and shall affirm, modify or reverse the decision of the General Manager.

**4. Agreement:**

The customer must sign the standard Riverside Economic Development Rate Agreement in order for the rates under this Schedule to be applicable. In addition to the other terms of this Schedule, the Economic Development Rate Agreement shall require the customer to reimburse Riverside for all rate reductions received under this Schedule, if the customer fails to maintain the required minimum load during the four-year term of the Agreement.

**5. Minimum Load:**

Customers qualifying under this Schedule as a New Customer with a projected minimum monthly electric demand of at least 500 kW or as an Expanded Load Customer under Sections C.1.b and C.2 above, respectively, must agree to maintain a minimum level of load for four years from the date service is first rendered under this Schedule as set forth in the Economic Development Rate Agreement.

**6. Base Period Usage:**

Base Period Usage shall be established and agreed to in the Economic Development Rate Agreement for Expanded Load Customers. Base Period Usage shall be the average monthly energy use and demand for the customer during the last three years. Expanded load qualifying for the rate under this Schedule shall be measured as the difference between the new monthly, meter documented energy use and demand, and Base Period Usage.

**7. State Mandated Public Benefits Charge:**

The rates in Customer's Otherwise Applicable Tariff and under this Schedule are subject to a surcharge as adopted via City Council Resolution No. 19203, and such surcharge as is in effect from time to time. The applicable Public Benefits Charge will be applied to the Customer's total electricity usage charges for the applicable billing period.

**8. Miscellaneous Fees and Charges:**

Rates charged pursuant to this Schedule shall be subject to any Energy Users Taxes, Utility Users Taxes and any other governmental taxes, duties, or fees which are applicable to Electric Service provided to Customer by Riverside. Rates are also subject to adjustment, as established by Riverside's Board of Public Utilities and adopted by Riverside's City Council in response to federal or state climate change laws, renewable portfolio standard or other mandated legislation. These adjustments may include but are not limited to charges to mitigate the impacts of greenhouse gas emissions or "green power" premiums.

**9. Expanded Load:**

Expanded Load Customers applying for this rate must demonstrate to the satisfaction of the Utility that the expanded load is new to Riverside.

**10. Agreement Deadline:**

The start date of the Economic Development Rate agreement shall commence within 12 months from the date of the Public Utilities General Manager's approval or become null and void. The start date shall coincide with the customer's normal billing cycle.

**11. Program Cap:**

The total contract demand on this Schedule for qualifying customers under Sections C.1.b. and C.2. of this Schedule shall collectively not exceed 25 (twenty-five) MW (megawatts). The total contract demand on this Schedule for qualifying customers under Section C.1.a. or C.1.c. of this Schedule shall collectively not exceed 5 (five) MW.

Once either Program Cap is reached, the Schedule will be closed to any new customers, until such time as qualified customers included within the Program Cap, with an executed Economic Development Rate Agreement no longer receive the reductions (e.g. year three of their agreements), thus allowing participation by additional customers until a new respective 25 MW or 5 MW Program Cap is reached.

**12. Re-Application:**

Customers who have received the Economic Development rate may re-apply for this rate as an Expanded Load Customer twelve months after the Economic Development Rate Agreement has expired.

**13. Restrictions:**

Residential customers and federal, state or local governmental agencies are not qualified under this Schedule.

**14. NAICS**

The North American Industry Classification System (NAICS, pronounced Nakes) was developed under the direction and guidance of the Federal Office of Management and Budget as the standard for use by Federal statistical agencies in classifying business establishments for the collection, tabulation, presentation, and analysis of statistical data describing the U.S. economy. A complete list of current NAICS codes are on file with Riverside Public Utilities and available on request.

The table on the following page identifies relevant 2007 NAICS codes and titles for qualified research, development or technology business under Section C.1.a.:

City of Riverside  
Public Utilities Department

---

<b>NAICS</b>	<b>2007 NAICS TITLE</b>
325411	Medicinal and Botanical Manufacturing
325412	Pharmaceutical Preparation Manufacturing
325413	In-Vitro Diagnostic Substance Manufacturing
325414	Biological Product (except Diagnostic) Manufacturing
333611	Turbine and Turbine Generator Set Units Manufacturing
333612	Speed Changer, Industrial High Speed Drive, and Gear Manufacturing
333613	Mechanical Power Transmission Equipment Manufacturing
334111	Electronic Computer Manufacturing
334112	Computer Storage Device Manufacturing
334113	Computer Terminal Manufacturing
334119	Other Computer Peripheral Equipment Manufacturing
334220	Radio and Television Broadcasting and Wireless Communications Equipment Manufacturing
334310	Audio and Video Equipment Manufacturing
334411	Electron Tube Manufacturing
334412	Bare Printed Circuit Board Manufacturing
334413	Semiconductor and Related Device Manufacturing
334414	Electronic Capacitor Manufacturing
334415	Electronic Resistor Manufacturing
334416	Electronic Coil, Transformer, and Other Inductor Manufacturing
334417	Electronic Connector Manufacturing
334418	Printed Circuit Assembly (Electronic Assembly) Manufacturing
334419	Other Electronic Component Manufacturing
334510	Electromedical and Electrotherapeutic Apparatus Manufacturing
334511	Search, Detection, Navigation, Guidance, Aeronautical, and Nautical System and Instrument Manufacturing
334512	Automatic Environmental Control Manufacturing for Residential, Commercial, and Appliance Use
334513	Instruments and Related Products Manufacturing for Measuring, Displaying, and Controlling Industrial Process Variables
334514	Totalizing Fluid Meter and Counting Device Manufacturing
334515	Instrument Manufacturing for Measuring and Testing Electricity and Electrical Signals
334516	Analytical Laboratory Instrument Manufacturing
334517	Irradiation Apparatus Manufacturing
334519	Other Measuring and Controlling Device Manufacturing
334611	Software Reproducing
334612	Prerecorded Compact Disc (except Software), Tape, and Record Reproducing
334613	Magnetic and Optical Recording Media Manufacturing
339112	Surgical and Medical Instrument Manufacturing
339113	Surgical Appliance and Supplies Manufacturing
339114	Dental Equipment and Supplies Manufacturing
339115	Ophthalmic Goods Manufacturing
339116	Dental Laboratories
511210	Software Publishers
512110	Motion Picture and Video Production
517210	Wireless Telecommunications Carriers (except Satellite)
541360	Geophysical Surveying and Mapping Services
541380	Testing Laboratories
541511	Custom Computer Programming Services
541512	Computer Systems Design Services
541690	Other Scientific and Technical Consulting Services
541711	Research and Development in Biotechnology
621511	Medical Laboratories
927110	Space Research and Technology

Adopted by Board of Public Utilities: Board Resolution No. 20  
Approved by City Council:  
Effective Date: October 1, 2010

Council Resolution:

The following table identified relevant 2007 NAICS codes and titles for qualified Green technology/manufacturing businesses under Section C.1.c.:

<b>NAICS</b>	<b>2007 NAICS TITLE</b>
221119	Other Electric Power Generation
221330	Steam and Air-Conditioning Supply
335999	All Other Miscellaneous Electrical Equipment and Component Manufacturing
221122	Electric Power Distribution
541712	Research and Development in the Physical, Engineering, and Life Sciences (except Biotechnology)
335110	Electric Lamp Bulb and Part Manufacturing
335121	Residential Electric Lighting Fixture Manufacturing
335122	Commercial, Industrial, and Institutional Electric Lighting Fixture Manufacturing
335129	Other Lighting Equipment Manufacturing
335311	Power, Distribution, and Specialty Transformer Manufacturing
336111	Automobile Manufacturing
333295	Semiconductor Machinery Manufacturing
334413	Semiconductor and Related Device Manufacturing
334512	Automatic Environmental Control Manufacturing for Residential, Commercial, and Appliance Use
335911	Storage Battery Manufacturing
333415	Air-Conditioning and Warm Air Heating Equipment and Commercial and Industrial Refrigeration Equipment Manufacturing
335312	Motor and Generator Manufacturing

## **SCHEDULE BR BUSINESS RETENTION RATE**

### **Applicability:**

This Schedule is applicable to existing customers with a minimum monthly demand of at least 150 kW provided that:

A. The customer must demonstrate to the satisfaction of the General Manager of Riverside Public Utilities that relocation of its entire operations or a qualified portion of their operations which consists of load of at least 150 kW, to a site outside of Riverside's service territory is a viable alternative or that the threat of closure of the customer's existing facilities is otherwise imminent.

B. Customers must provide:

1. an affidavit that "but for" the economic development retention rate incentives, in combination with other city-sponsored incentives, such customer would relocate outside of the City's electric service territory, and
2. substantial evidence demonstrating the business has considered viable locations outside of Riverside's service territory including but not limited to incentive offer letters from competing states, local jurisdictions and economic development organizations and/or real estate sale and lease agreements for competing sites, or
3. substantial evidence documenting the imminent threat of facility closure, including but not limited to letters from business owners or appropriate corporate officers documenting the circumstances which have lead to this imminent threat and why the Business Retention Rate is necessary to retain the business within Riverside's service territory.

C. The customer's application for this Schedule is approved by the General Manager of Riverside Public Utilities, based upon standards and guidelines adopted by resolution of the Riverside Board of Public Utilities and approved by resolution of the City Council.

### **Territory:**

City of Riverside

### **Rates:**

---

Adopted by Board of Public Utilities:  
Approved by City Council:  
Effective Date:

Board Resolution No.  
Council Resolution:

Except as provided herein, or in the Economic Development Business Retention Rate Agreement, all charges and provisions of the customer's Otherwise Applicable Tariff shall apply, except that the customer's energy charges for mid and off peak usage shall be subject to discount as follows:

Year 1 - 15%  
Year 2 - 15%

**Special Conditions:**

**1. Term:**

Economic Development Business Retention Rate Agreements entered into under this Schedule shall be for a single two-year term.

**2. Otherwise Applicable Tariff:**

The Utility's published electric rate schedule which otherwise applies to Customer for service provided under this Schedule, provided however Schedule CS shall not be a Customer's Otherwise Applicable Tariff.

**3. Approval:**

Application of this Schedule shall be subject to approval of the Public Utilities General Manager. The General Manager's approval shall be based upon standards and guidelines established and adopted by resolution of the Riverside Board of Public Utilities and approved by resolution of the City Council. The standards and guidelines: 1) shall include but not be limited to the consideration of such factors as evidence that relocation is imminent, job retention, property tax increment, land use, City's business base, retention of a business within a Riverside Redevelopment Project Area and City's overall economic development strategic vision and 2) shall provide adequate protection against arbitrary application of this Schedule.

The General Manager's decision to disapprove application of this Schedule to a customer shall be appealable to the Riverside Board of Public Utilities, not later than thirty days after Riverside notifies the customer of the General Manager's decision. Customer shall file a written appeal with the Riverside City Clerk setting forth the grounds on which the appeal is based. The Riverside Board of Public Utilities shall consider the appeal within thirty (30) days after receipt of the written appeal, and shall affirm, modify or reverse the decision of the General Manager.

**4. Agreement:**

The customer must sign the standard Economic Development Business Retention Rate Agreement, as approved by the Riverside Board of Public Utilities and the City Council, in order for the rates under this Schedule to be applicable. In addition to the other terms of this Schedule, the Economic Development Business Retention Rate Agreement shall require the customer to reimburse Riverside for all rate reductions received under this Schedule, if the customer fails to maintain the required minimum load during the two-year term of the Agreement.

**5. Minimum Load:**

All customers must agree to maintain a minimum level of load for two years from the date service is first rendered under this Schedule as set forth in the Economic Development Business Retention Rate Agreement.

**6. State Mandated Public Benefits Charge:**

The rates in Customer's Otherwise Applicable Tariff and under this Schedule are subject to a surcharge as adopted via City Council Resolution No. 19203, and such surcharge as in effect from time to time. The applicable Public Benefits Charge will be applied to the Customer's total electricity usage charges for the applicable billing period.

**7. Miscellaneous Fees and Charges:**

Rates charged pursuant to this Schedule shall be subject to any Energy Users Taxes, Utility Users Taxes and any other governmental taxes, duties, or fees which are applicable to Electric Service provided to Customer by Riverside. Rates are also subject to adjustment, as established by Riverside's Board of Public Utilities and adopted by Riverside's City Council in response to federal or state climate change laws renewable portfolio standards or other mandatory legislation. These adjustments may include but are not limited to charges to mitigate the impacts of greenhouse gas emissions or "green power" premiums. No discount shall be made to customer for these fees and charges.

**8. Agreement Deadline:**

The start date of the Economic Development Business Retention Rate Agreement shall commence with the customer's first billing cycle following approval of the Public Utilities General Manager.

**9. Program Cap and Termination Date:**

The total contract demand on this Schedule shall collectively not exceed 20 MW (megawatts) at any one time. Once this limit is reached, the rate will be closed to all customers, new or existing, until such time as qualified customers under the

20 MW Program Cap with an executed Economic Development Business Retention Rate Agreement expires thus allowing participation by additional qualified customers until a new 20 MW Program Cap is reached.

All Business Retention Rate Agreements must be executed prior to December 31, 2012, after which no further agreements will be executed. This Schedule will remain open until such time as the last agreement expires or terminates.

### **10. Multiple Applications**

Application of this Schedule shall be limited to each customer to once every five years.

### **11. Restrictions:**

Residential customers and federal, state or local governmental agencies are not qualified under this Schedule.