



In the next 10 years, Riverside Public Utilities (RPU) will need to make approximately \$1 billion of infrastructure investments to ensure that it can continue its century-old tradition of providing Riverside residents and business owners with safe water and reliable electricity at rates much lower than in surrounding communities.

Fortunately, RPU has built up its financial reserves in recent years. This savings account will help pay for these necessary improvements to an RPU system that plays such a vital role in the health and economic well-being of Riverside residents and business owners. The growth of our reserves comes from a variety of sources, including the sale of property, income from other utilities using our transmission lines, ratepayers, and prudent spending during the recent economic downturn. RPU's financial reserves are governed by a policy that reflects growth in the utility. As our operating revenues have grown, so have our financial reserves.

The importance of a healthy reserve fund has been abundantly clear across Southern California in recent months as ruptured water pipes have sent millions of gallons of water gushing into streets, roads and, in one case, buildings at UCLA. Some of these pipes are remnants of the population boom in Southern California, when utility infrastructure was installed to keep up with the region's rapid growth. Just recently in Riverside, a 36-inch, underground water pipe ruptured, causing water pressure to drop precipitously in the entire downtown area and impacting water service to hundreds of customers. That pipe, installed in the mid-1930s, served the system well, but had reached the end of its useful life.

The need to replace aging water pipes and older electric poles is a part of why RPU is facing such a steep infrastructure bill during the next 10 years. Other needs include: building a second transmission line to the statewide power grid; grid modernization to accommodate two-way power flow for rooftop solar; and replacement of old infrastructure with new technology to provide reliability.

RPU plans to build the first phase of a recycled water system and create a rubber dam over the Santa Ana River to capture storm water and recharge the groundwater basin (in collaboration with Western Municipal Water District). We need to invest in technologies that will sustain the reliability of our water system and continue the replacement of some very old pipelines that have degraded over time.

The utility's financial reserves will play a crucial role in ensuring that these important infrastructure needs can be met with as little borrowing as possible and with as minimal an impact as possible on rates, thereby saving money for ratepayers. This means that more of Riverside's financial resources can be devoted to replacing pipes and poles instead of being needlessly wasted on interest, payments to investment banks, lawyers' fees, bond lawyers' fees and all the other costs associated with borrowing from Wall Street.

RPU's financial reserves are within the utility's reserve policy, but they are beginning to approach the maximum amount that can be accumulated, according to that policy. Specifically, while RPU's policy calls for reserves to be at least as much as three months' worth of operating expenses, this is the minimum. The maximum amount that can be accumulated according to the policy is one year of operating revenues. A few critics of RPU have claimed the financial reserves already are larger than permitted. They are incorrect.

An accounting of the last 14 years of RPU reserves – found at www.riversideca.gov/rpureerves -- shows that the reserves have never exceeded the maximum amount established by the policy.

Riverside is fortunate to have a public utility that benefits from careful management and sound financial planning, especially as it sustains financial reserves that can help the utility make the investments that will be required in the coming months and years. The Board of Public Utilities, working with the Riverside City Council, can and will ensure that reserves are put to the best possible use with expenditures well documented in a transparent environment of public discussion with the community. That's an end result that everyone can embrace.

Susan B. Cash
Chair, Board of Public Utilities