

RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: JUNE 8, 2026

SUBJECT: INCREASE TO THE FY 25/26 LEGAL BUDGET FOR LAW FIRM THOMPSON COBURN IN AN AMOUNT NOT TO EXCEED \$105,000 FOR A TOTAL LEGAL BUDGET OF \$897,000; APPROVE LEGAL BUDGET FOR FY 26/27 FOR LAW FIRM THOMPSON COBURN IN AN AMOUNT NOT TO EXCEED \$895,000

ISSUE:

Consider approval of an increase to the annual legal budget for FY 2025/2026 for the law firm of Thompson Coburn in an amount not to exceed \$105,000 for a total budget of \$897,000 and approve the FY 2026/2027 annual legal budget in an amount not to exceed \$895,000.

RECOMMENDATIONS:

That the Board of Public Utilities recommend that the City Council:

1. Approve an expenditure for an increase to the annual legal budget for FY 2025/2026 for the law firm of Thompson Coburn in an amount not to exceed \$105,000 for a total budget of \$897,000
2. Approve an expenditure for the annual legal budget for FY 2026/2027 for the law firm of Thompson Coburn in an amount not to exceed \$895,000.

BACKGROUND:

City Charter section 702, "Eligibility, powers and duties of City Attorney," provides, in part, that "the City Council shall have control of all legal business and proceedings and may employ other attorneys to take charge of any litigation or matter or to assist the City Attorney therein." However, City Charter section 1202(b) requires Board of Public Utilities approval for utilities expenditures over \$50,000.

The City Council has previously approved the retention of Thompson Coburn. Thompson Coburn has executed an Attorney Services Agreement with the City of Riverside for the provision of legal services. Through the annual budgeting process, the City has approved funds for the use of outside legal counsel. The City Council has previously approved budgets for Thompson Coburn and the Board of Public Utilities has approved the expenditures. The City Attorney's Office is now seeking an increase to the FY 2025-2026 budget and approval for the FY 2026-2027 legal budget.

DISCUSSION:

Thompson Coburn is a law firm based in Washington DC that specializes in representing publicly owned electric utilities. In general, their work for the City includes monitoring and assisting with nearly all aspects of federal regulatory activity within the purview of the Federal Energy Regulatory Commission (“FERC”) that may affect the City’s electric utility. Under the Federal Power Act (“FPA”), FERC regulates public utilities that engage in wholesale energy sales and/or provide interstate transmission services. Although the City’s electric utility, as a department of a municipality, is not directly subject to FERC regulation under Part II of the FPA, FERC does regulate the California energy markets and transmission system administered by the California Independent System Operator Corporation (the “CAISO”) and the activities of Southern California Edison Company (“SCE”), the utility with which the City’s electric system is interconnected. Thus, FERC’s regulations, policies, and adjudications can significantly impact the City’s electric utility. These impacts may be direct or indirect financial impacts, or they may consist of impacts to the City’s resource procurement, transmission and/or distribution system access, market participation, and/or compliance activities. For the same reasons, Thompson Coburn closely monitors and actively participates in stakeholder initiatives relating to the CAISO energy markets and transmission system.

The Thompson Coburn budget for FY 2025/26 was \$792,000. An estimate of an additional \$105,000 is needed to complete legal services through the end of the fiscal year for a total budget of \$897,000. FY 2025/26 experienced higher than anticipated costs for FERC proceedings related to, in particular, the DCR Transmission Ten West Link Project transmission revenue requirement (“TRR”) matter. This matter involved a new 500kV transmission line approved by the CAISO in 2014. The project owner seeks approval for its TRR to be charged to transmission users, such as Riverside, through inclusion in the transmission rates charged by the CAISO. This proceeding has involved an unusually high level of activity, including a lengthy, multi-month hearing with expert testimony. In the City’s experience, TRR proceedings typically settle prior to hearing. The hearing phase and subsequent briefing in this matter is expected to conclude in the Fall of 2026. Success in this proceeding could save Riverside an estimated \$2,700,000 over a ten-year period. Additionally, this case also involves novel legal issues that could establish important precedent for future proceedings involving transmission development in the CAISO.

The Fiscal Year 2025-2026 was recommended as \$895,000. Activity in Fiscal Year 2026-2027 is expected to continue at similar levels while the DCRT matter concludes.

The City realizes a cost savings from the retention of Thompson Coburn. For example, FERC’s regulation of the transmission system administered by the CAISO includes approving the rates charged by the CAISO for use of the transmission lines. The City, when it uses the transmission lines administered by the CAISO, pays that rate. The rates are based upon the costs submitted to FERC by the transmission owners who have turned over operational control of their transmission lines to the CAISO. Riverside, through Thompson Coburn, participates in these proceedings to ensure the rates approved by FERC are fair and equitable. The City reviews all cost submissions from these transmission owners and submits objections to FERC, through Thompson Coburn, of any inappropriate costs.

Over a 10-year period, from 2014 through 2024, the City estimates that it has saved \$29,967,260 in reductions to the rates ultimately approved by FERC and paid by the City, as a result of the objections filed by Thompson Coburn on behalf of the City. This cost estimate does not include certain cases still pending before FERC in 2024 and after. During this same time frame (*i.e.*, from

January 2014 through March 2024), the City expended the sum of \$2,890,813 on attorney fees and related consulting costs for such transmission issues and a total of \$4,948,670 across all matter types.

Additionally, the City has successfully obtained FERC approval for recovery of a portion of Thompson Coburn’s legal fees and costs associated with transmission-related matters in its own FERC-approved transmission revenue requirement (“TRR”) for use of the City’s transmission entitlements. The City’s TRR is included in the rates that the CAISO charges for use of the CAISO-controlled transmission system. Thus, this portion of the City’s legal fees and costs is, in effect, recouped by the City from the TRR revenues it receives from the CAISO. For example, in the City’s most recent TRR filing at FERC (submitted in 2025), which ultimately was approved by FERC without objections, it proposed to recover \$438,000 per year in transmission-related legal and consulting costs, plus \$300,000 per year in the City’s rate case costs, for a total of \$738,000 in annual regulatory expenses. No party to that FERC proceeding challenged the City’s recovery of those legal costs.

FISCAL IMPACT:

The fiscal impact of this action is an expenditure increase of \$105,000 for legal services for the Thompson and Coburn law firm for FY 2025/26, and a total budget of \$895,000 for FY 2026/27 legal services. Sufficient funds for FY 2025/26 are available in the Electric Fund, Power Supply Operations, Outside Legal account 6120000-421100. Funds for FY 2026/27 are budgeted and available in the FY 2026-2028 Biennial Budget that will be presented to Council for adoption in June 2026 in the following RPU accounts: Electric Fund, Power Supply Operations, Outside Legal account 6120000-421100; Electric Fund, Legislative & Regulatory Risk, Outside Legal account 6025000-421100 and Electric Fund, RTRP and STP Project Account 6130000-470685.

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