

**TERMINATION OF THE RENEWAL POWER SALES CONTRACT
BETWEEN THE INTERMOUNTAIN POWER AGENCY AND THE
CITY OF RIVERSIDE AND EXITING FROM THE
INTERMOUNTAIN POWER PROJECT**

**Riverside Public Utilities
Resource Operations and Strategic Analytics**

Board of Public Utilities
March 11, 2019

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**INTERMOUNTAIN POWER PROJECT (IPP)
BACKGROUND**

1. Located near Delta, Utah
2. 1800 MW coal-generated power
 - a. RPU's entitlement 7.617% (136 MW)
3. Southern Transmission System
 - a. RPU's entitlement 10.164% (244 MW)
4. Northern Transmission System
5. Contract expires June 15, 2027
6. IPP Repower Project – 840MW Natural Gas Combined Cycle starting in 2025



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RIVERSIDE'S EARLY EXIT OPTION

1. City Council approved the IPP Renewal Agreements on June 15, 2015
2. Section 42 of the Renewal Power Sales Agreement provides:
 - a. Riverside has the right to terminate contract
 - b. Must provide written notice to IPA at least 90 days prior to November 1, 2019



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IPP REPOWER PROJECT – RISKS/CONCERNS

1. **Fifty-Year Contract Commitment (2027-2077)**
2. **Regulatory and Legislative Risks**
 - a. **SB 100: 100% carbon-free by 2045**

**** Procuring fossil fuel based generation from IPP Repowering for 50 years will be in direct conflict with California's carbon-free resource portfolio mandated under SB100.***

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IPP REPOWER PROJECT – RISKS/CONCERNS

3. Generation Construction Cost Uncertainties
 - a. Estimated \$1 billion
4. Natural Gas Transport and Source Costs
 - a. Estimated \$45 million
5. Future STS Transmission Upgrade Costs
 - a. Estimated \$1.1-1.2 billion
6. Unresolved Transmission Contracts with LADWP

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IPP REPOWER PROJECT – RISKS/CONCERNS

7. Conflicting Operational Goals of Participants
8. Carbon Cost Uncertainties
9. Decommissioning Costs
 - a. Estimated \$260 million
10. All IPP participants operating in the California Independent System Operator balancing authority are exiting from IPP Repowering.

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2018 IRP SUPPORTS IPP EXIT

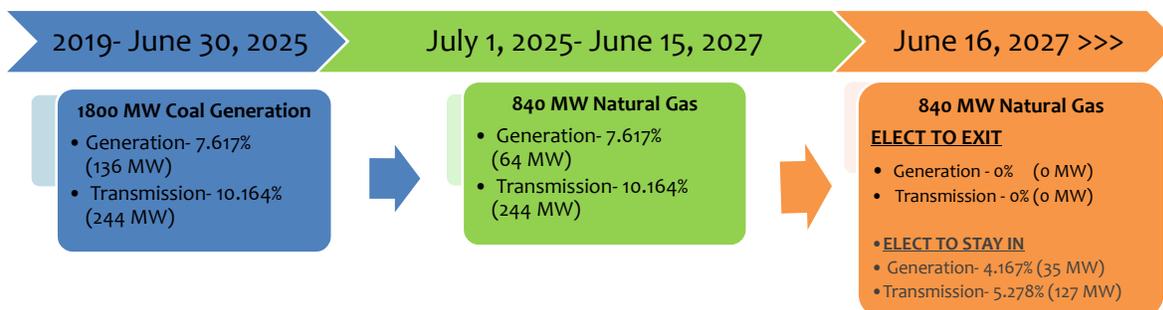
1. City Council approved and adopted RPU's 2018 Integrated Resource Plan (IRP) on December 11, 2018
2. The IRP cites detailed justifications for Riverside's exit from the IPP Repower Project, in particular:
 - a. The diminishing financial viability of the IPP Repower Project, and
 - b. The elevated regulatory risks under new and evolving California mandates

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RPU'S ENTITLEMENT IN IPP FROM PRESENT TO CONCLUSION

1. Termination is effective November 1, 2019
2. Commercial Operation of IPP Repowering – July 1, 2025
3. Entitlement share will remain at 7.617% (64 MW) until current contract expires on June 15, 2027



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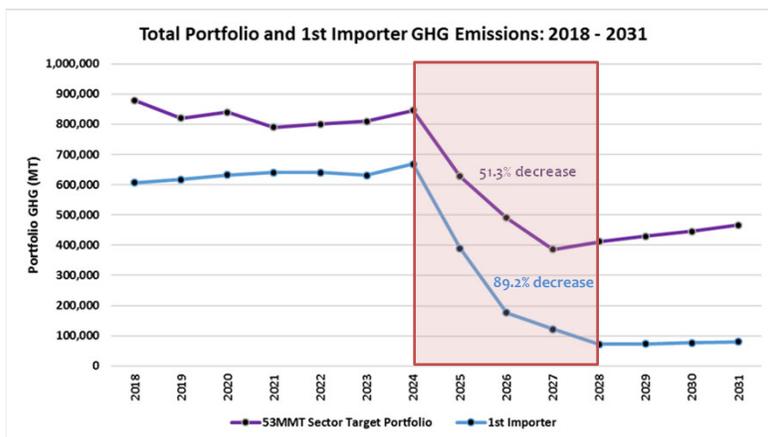
PLANS TO REPLACE IPP POST-2027

1. Generation – RPU will continue to procure additional renewable resource to replace IPP Energy
2. Transmission – Other than IPP, RPU does not have any resources that rely on the transmission path from IPP to Riverside. Once the current IPP contract expires in 2027, RPU will no longer need the transmission.

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GHG EMISSION REDUCTION AFTER IPP EXIT



From the last full year of coal off-take in 2024 to the first year after IPP Exit in 2028:

1. RPU’s total portfolio GHG emission will **decrease by 51.3%**
2. RPU’s first importer GHG emission will **decrease by 89.2%**

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RECOMMENDATIONS

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

1. Authorize termination of the Renewal Power Sales Contract between the Intermountain Power Agency and the City of Riverside effective November 1, 2019;
2. Authorize the City of Riverside's exit from the Intermountain Power Project Repower Project upon the expiration date of the current Power Sales Contract on June 15, 2027; and

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RECOMMENDATIONS

3. Authorize the City Manager, or designee, to provide written notice to the Intermountain Power Agency to terminate the Renewal Power Sales Contract between the Intermountain Power Agency and the City of Riverside, and execute any other documents as necessary to effectuate the termination of the contract effective November 1, 2019 and exit from the Intermountain Power Project Repower Project upon the expiration date of the current Power Sales Contract on June 15, 2027.

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