



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: NOVEMBER 1, 2016
FROM: PUBLIC UTILITIES DEPARTMENT WARDS: ALL
SUBJECT: APPROVE THE SENATE BILL 1368 COMPLIANCE FILING TO THE CALIFORNIA ENERGY COMMISSION FOR PARTICIPATION IN THE INTERMOUNTAIN POWER REPOWERING PROJECT

ISSUE:

Approve the Senate Bill 1368 Compliance Filing to the California Energy Commission for participation in the Intermountain Power Repowering Project.

RECOMMENDATIONS:

That the City Council:

1. Approve the attached Senate Bill 1368 Compliance Filing package to the California Energy Commission for potential participation in the Repowering of Intermountain Power Project; and
2. Authorize the City Manager or his designee to execute any documents necessary to complete and submit the Compliance Filing.

BOARD RECOMMENDATION:

This report is published on October 20, 2016, for the November 1, 2016, City Council meeting.

On October 24, 2016, the Riverside Public Utilities' Board will hear this item for consideration to recommend to City Council to approve the attached Senate Bill 1368 Compliance Filing package (Attachment 1) to the California Energy Commission for potential participation in the Repowering of Intermountain Power Project.

If the Board approves to forward this to City Council, we respectfully request the City Council consider the item at the November 1, 2016, City Council meeting.

LEGISLATIVE HISTORY:

Legislative Requirements: Senate Bill 1368 (SB 1368), enacted in 2006, limits investments in long-term resources to those meeting California's Emission Performance Standard (EPS). The implementing regulations (Title 20 Sections 2908 and 2909) require that publicly-owned utilities (POU), such as Riverside, submit a Compliance Filing (Attachment 1) to the California Energy Commission (CEC) within ten (10) business days of **entering** into a "covered procurement" such as the Intermountain Power Project Repower Project. Prior to submitting to the CEC, the

governing body must approve the Compliance Filing, and post a public notice whenever its governing body will deliberate in public (Attachment 3). Such filing must be provided to the CEC concurrent with Riverside’s posting of the City Council meeting.

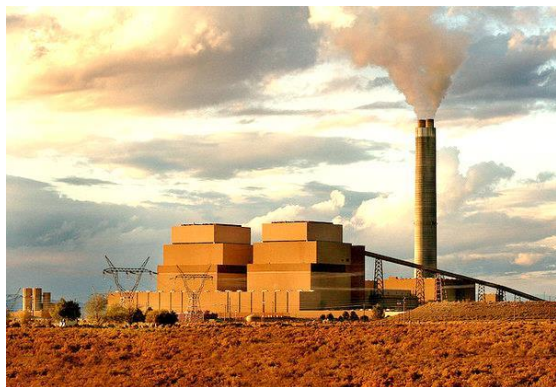
The CEC will then evaluate and verify the POU’s covered procurement’s compliance with the EPS.

BACKGROUND:

Intermountain Power Project (IPP) Overview: In 1980, Riverside entered into the current IPP Power Sales Contract (Contract) with the Intermountain Power Agency (IPA) for the purchase of baseload coal-fired electric power and the associated transmission services. The IPP project currently consists of 1,800 megawatts (MW) of coal generation located near Delta, Utah and the associated transmission facilities. There are 36 participants in IPP, including six from California (Riverside, Los Angeles, Anaheim, Burbank, Glendale and Pasadena). LADWP is the Operating Agent for the generating and transmitting facilities. The current Contract terminates on June 15, 2027. Pursuant to the Contract, IPA must offer any renewal of IPP beyond the current term of the Contract, to existing participants.

In 2006, California enacted SB 1368 that prohibits California participants, including Riverside, from renewing participation in IPP (a baseload fossil-fuel generation plant) beyond the current contract term. The EPS regulations set an emissions standard of 1,100 lbs. of carbon dioxide per MW hour for new contracts greater than 10 MW, for five years or greater, and with an expected capacity factor greater than sixty percent (such as the IPP Repower Project).

IPP Repower Project: The Repower Project’s default design is a natural gas fueled combined cycle plant with two power blocks, each with a design capacity of approximately 600 MW for a total of 1,200 MW maximum generating capacity. The generation configuration and technology may be modified with 80% vote by Repower Project participants.



IPP Coal Plant



Natural Gas Plant

Prior City Council and Board Action: On June 16, 2015, and May 15, 2015, respectively Riverside City Council and Board of Public Utilities (Board) approved the Second Amendatory Power Sales Contract (2APSC) and authorized Riverside’s participation for up to 5% or 60 MW (Attachment 2). On March 16, 2016, with the governing body approval of all 36 current participants, the 2APSC became effective, allowing commencement of the renewal process. On March 18, 2016, IPA issued the Renewal Offer to Riverside. Prior to participating in the

Repower Project, Riverside must obtain all required regulatory contract approvals. IPA has opined that this includes the SB 1368 Compliance Filing requirement.

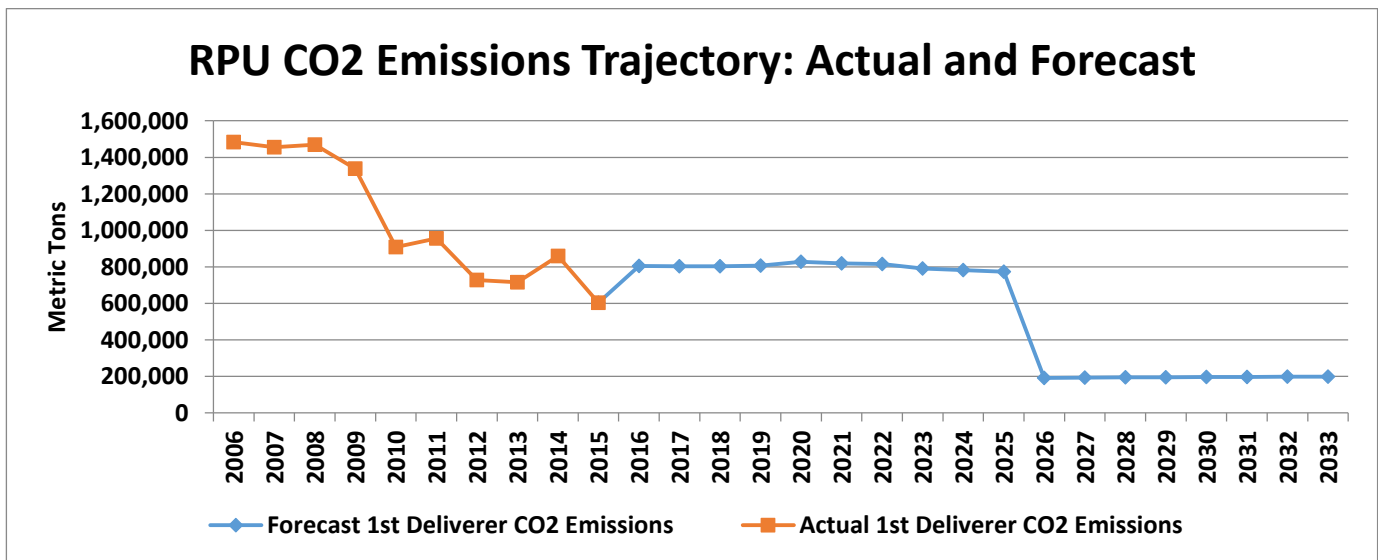
Riverside’s Exit Option: Under the 2APSC, California participants such as Riverside (except for Los Angeles) have the right, but not the obligation, to exit completely (or partially exit) from the Repower Project prior to November 1, 2019. Upon exiting, participants will no longer have any prospective cost responsibilities for the Repower Project, including decommissioning costs.

Riverside’s environmental leadership is well established. Riverside has pursued diverse renewable power supply contracts to serve its customers’ needs while meeting and exceeding California’s aggressive GHG reduction targets. Riverside adopted its first Renewable Portfolio Standard in 2003, well before California’s SBx1-2 mandate in 2011. In the past 5 years, Riverside has approved thirteen (13) renewable resource contracts, exceeding 200 MW, providing over 40% of customer power needs with renewable generation by 2020.

The following table estimates the GHG reduction from RPU’s current IPP entitlement versus RPU’s maximum level of participation in the Repower Project as previously approved by Riverside’s Board and City Council:

Estimated GHG Emissions	Est. Emissions/MWh	Est. Annual Emissions
RPU - IPP Today (Coal-fired)	2,000 lbs./MWh	840,960,000
SB 1368 Limit	1,100 lbs./MWh	-
RPU - IPP Repower (Natural Gas Post 2025)	800 lbs./MWh	336,684,000
Annual GHG Reduction	1,200 lbs./MWh	504,576,000
Minimum Reduction in RPU’s GHG IPP footprint		60%

By 2026, Riverside’s GHG emissions levels, from its power supply portfolio, are projected to be approximately 85% lower than in 2006. The following table shows the significant reductions in GHG emissions due to the City Council’s and the Board’s approval of the previously described renewable supply contracts:



UTILITY 2.0 - MAINTAIN FLEXIBILITY: Making the Compliance Filing and participating in the subscription process will provide maximum flexibility in the Utility's future procurement planning process. Riverside's involvement is critical to insuring the plant's operating characteristics are consistent with Riverside's future needs with the integration of higher levels of intermittent renewables resources. Should its resource procurement strategy change in the future, the 2APSC provides the option for Riverside to exit the Repower Project, or reduce its participation in the plant, before November 1, 2019. Consistent with RPU's Utility 2.0 framework, this embedded optionality to stay in, exit, or reduce participation in the IPP Repower project provides maximum flexibility in the coming years to explore all viable and cost effective resource alternatives to meet Riverside's reliability and regulatory mandates.

Staff recommends submitting the Compliance Filing now to:

1. Be consistent with the joint participants, who are making similar CEC filings,
2. Avoid an impasse with IPA and LADWP on the CEC's regulatory requirements, and
3. Facilitate the subscription process, allowing the Repower Project to proceed.

This Compliance Filing:

1. Fulfills a regulatory obligation at no cost to the Utility or the City,
2. Does not commit Riverside to future participation in IPP, and
3. Allows maximum flexibility and time for Riverside to fully consider its future resource procurement decisions, and the appropriate level of participation in the IPP Repower Project that will ultimately impact future electric rates.

Staff will seek additional Board and City Council approvals for a revised Compliance Filing if there are any substantive changes to the final design of the Repower Project. This compliance filing is assuming the best available information to date regarding the plants' technology and characteristics.

FISCAL IMPACT:

There is no fiscal impact related to this Council action.

Prepared by: Girish Balachandran, Public Utilities General Manager
Certified as to
availability of funds: Scott G. Miller PhD, Chief Financial Officer/City Treasurer
Approved by: John A. Russo, City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Compliance Filing Documentation
2. Presentation