



RIVERSIDE PUBLIC UTILITIES PARTICIPATION IN SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

City Manager's Office
City Attorney's Office

City Council
January 11, 2022

RiversideCA.gov

1

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY (SCPPA)

- The Southern California Public Power Authority (SCPPA), is a joint powers agency governed by the Joint Exercise of Power Act (aka, JPA, and per Gov. Code sections 6500) and comprised of 11 municipal utilities and one irrigation district.
- SCPPA was created for the purpose of undertaking the planning, financing, development, acquisition, construction, reconstruction, improvement, enlargement, betterment, operation or maintenance of one or more projects defined in the Joint Powers Agreement.
- SCPPA members leverage economies of scale pricing due to the aggregated buying power of the Joint Powers Agency related to these projects.

2



RiversideCA.gov

2

COMPOSITION AND OPERATION

- SCPPA is a public agency subject to the Brown Act and the California Public Records Act.
- The SCPPA Board of Directors is comprised of the Chief Executive Officer of the electric utility of each of the 12 member agencies. Per the JPA Agreement, elected or appointed officials are not members of the SCPPA Board of Directors.
- Their Board meetings are open to the public and Board meeting minutes are available on its website. SCPPA is also subject to an independent financial audit.



3

RiversideCA.gov

3

COMPOSITION AND OPERATION

- On August 26, 1980, the Riverside City Council adopted a resolution to join SCPPA and approved the SCPPA Joint Powers Agreement.
- The SCPPA Joint Powers Agreement can only be amended by the unanimous approval of the governing bodies of each member agency.
- Members consist of the municipal utilities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, Vernon and the Imperial Irrigation District.
- Collectively deliver electricity to 2mil+ customers in the Southern California basin, spanning an area of 7,000 square miles.



4

RiversideCA.gov

4

CITY OF RIVERSIDE SCPPA MEMBERSHIP

- On August 14, 2007, the City Council unanimously approved the use of SCPPA for the procurement of energy efficiency (EE) and conservation programs and services.
- A City Council action taken on February 21, 2017, directs how Riverside is to procure services through SCPPA and report SCPPA costs and activities. This includes:
 - Task Order expenditures greater than \$50,000 require Board and City Council approval
 - SCPPA Agendas and Minutes shall be posted in Board of Public Utilities meeting agendas and packages
 - Semi-annual report of SCPPA activities shall be provided to Board and City Council on SCPPA activities and expenditures



5

RiversideCA.gov

5

2019 PUBLIC UTILITIES REQUEST TO CHANGE SCPPA POLICY

Public Utilities began to work through a number of issues that remained unresolved by the 2017 City Council action. In response to a public claim that the SCPPA Joint Powers Agreement (JPA) does not permit the activities of developing and implementing energy efficiency programs, despite the Riverside Council's 2007 action to approve procurement of energy efficient programs through SCPPA, staff did the following:

- Raised the issue at the SCPPA Board
 - Led action to have SCPPA to engage its legal counsel to review the scope of the SCPPA JPA
- Voted "No" or "Abstain" on items relating to energy efficiency programs
- Requested SCPPA staff present all Request for Proposals (RFPs) to the Board of Directors for approval prior to initiating the solicitation process



6

RiversideCA.gov

6

SCPPA RESPONSE

SCPPA Board supported a legal review of the question and a formal response from its outside legal counsel, Norton, Rose Fulbright. The result of their analysis was that SCPPA energy efficiency programs are permitted under the JPA primarily because energy efficiency is a mandated procurement for electric utilities even before generation is procured for its customers.

This response from SCPPA was reviewed by Riverside staff and legal counsel; however, no formal Riverside response was developed. All other 11 member agencies supported the SCPPA response except for Riverside.



7

RiversideCA.gov

7

RIVERSIDE RESPONSE TO SCPPA

Instead, the City of Riverside took the following action:

1. Stopped the procurement of energy efficiency programs through SCPPA in total.
2. Through City Council direction, hired external auditing firm Eide Bailly, LLP. to conduct a Forensic Review of the City's participation in SCPPA from 2009 through 2018, including an analysis of all Resolutions and contracts authorized under SCPPA.
3. Conducted its own RFP process for a commercial energy efficiency audit program, which was approved in December 2021.
4. Riverside's new energy efficiency programs are in development with a target of April 2022.



8

RiversideCA.gov

8

RIVERSIDE RESPONSE TO SCPPA

5. Returned funds held in a Project Reserve Account at SCPPA back to the Public Utilities account to protect its custody and help to clearly report on financial statements the monies held in reserve.
 - a) Board of Public Utilities (Sept. 2019) received report on withdrawal of Project Stabilization Fund (\$11.4M) held at SCPPA and use of proceeds to reduce annual budgeted costs for Riverside SCPPA generation projects.
 - b) Funds held in Riverside account at SCPPA returned to Riverside in December 2019/January 2020; account at SCPPA closed February 2020.
6. Decided that future energy supply projects would not be procured through SCPPA unless there was a convincing economic reason to do so.



9

RiversideCA.gov

9

CURRENT SCPPA PARTICIPATION

- Riverside continues to have representation on the SCPPA Board of Directors and has raised the issue of agencies that request a Master Agreement with only one agency intending to contract for the service. In instances when joint project collaboration is not intended, Riverside has either “abstained” or voted “no” on the item.
- Additionally, Riverside raised the issue of indemnity. For contracts that agencies elect not to participate in a specific Task Order, Riverside has asked for a “Hold Harmless” contract provision to be expressly added to the contract to protect those agencies that do not participate from any future litigation or liability. SCPPA legal staff reviewed the request and opines that a Task Order and its liability is the responsibility of the agency that contracts for it, and there exists updated language that protects those agencies that do not. Riverside agrees that the updated language is improved and valuable but does not subscribe that there are sufficient and necessary language protections for all contract matters. For this reason, Riverside will not participate in energy efficiency or cyber security programs until changes are made.



10

RiversideCA.gov

10

CURRENT SCPPA PARTICIPATION

- Ancillary services utilized by Riverside on a case-by-case basis include: Industry specific training and participation in working groups on industry specific matters (operational, administrative and legislative).
- The following is a list of the twelve energy projects (generation, transmission, renewables) that Riverside has contracted through SCPPA, including dates of the contracts.
 - Palo Verde Nuclear Generation Station (1981)
 - Hoover Dam Hydro-Uprating Project (1986)
 - Southern Transmission System (1983)
 - Mead-Adelanto Transmission Project (1992)
 - Mead-Phoenix Transmission Project (1992)
 - Columbia II Solar (2013)
 - Kingbird B -Solar (2013)
 - Summer Solar- Solar (2013)
 - Antelope Big Sky Ranch-Solar (2013)
 - Antelope DSR 1-Solar (2015)
 - Loyaltan Biomass (2018)
 - Coso Geothermal Energy Project (January 2021)



11

RiversideCA.gov

11

FUTURE SCPPA PARTICIPATION

- The question remains about the future of Riverside's role and participation in SCPPA. To date, Riverside is still represented on the Board of Directors, but no energy efficient program Task Orders are utilized. The Joint Power Authority agreement was signed by Riverside in 1980 for a term of 50 years – the agreement term is valid through 2030. To date, only one project (Southern Transmission System) still has outstanding debt associated with the cost of the project.
- A legal review would be necessary to consider whether Riverside has the ability to withdraw from SCPPA; however, it is the recommendation of the Public Utilities General Manager that Riverside only participate and vote on matters in which Riverside has a direct financial or operational interest.



12

RiversideCA.gov

12

RETIRED RPU GENERAL MANAGER AND LADWP DOJ INVESTIGATION

- Former RPU General Manager David H. Wright left RPU in 2013 after working for the City from 1988 – 2013, and served as the General Manager of Los Angeles Department of Water and Power (LADWP) from September 2016 to July 2019.
- According to a December 6, 2021 U.S. Attorney's Office of the Central District of California press release, Wright agreed to plead guilty to a federal criminal charge of accepting bribes while employed with LADWP.
- In the plea agreement, Wright also admitted he participated in several other corrupt schemes while serving as General Manager of LADWP. There is no mention of any corrupt acts by Wright while employed by RPU.
- According to a December 13, 2021 Department of Justice press release, another former LADWP executive, David F. Alexander, agreed to plead guilty to a federal criminal charge. Alexander secretly solicited and agreed to accept the job offer in exchange for providing "guarantees" of additional LADWP contract money to the same lawyer from whom Wright accepted a bribe.

13



RiversideCA.gov

13

RETIRED RPU GENERAL MANAGER AND LADWP DOJ INVESTIGATION

- In February 2019, SCPPA issued a request for proposal (RFP) for a cybersecurity services contract at the request of Wright, who was still LADWP's general manager. Alexander, the RFP's primary drafter, knew the SCPPA RFP process was intended to be a competitive, neutral and transparent process. But he manipulated that process with the goal of securing future cybersecurity work for Aventador, which later changed its name to Ardent Cyber Solutions LLC., according to the release.
- On April 18, 2019, the SCPPA Board approved a multi-award contract for Ardent and two other vendors valued at a total of approximately \$17 million. In June and July of 2019, Alexander further manipulated in Ardent's favor an RFP process from LADWP for the award of a three-year, \$82.5 million cybersecurity consulting services contract.

14



RiversideCA.gov

14

CURSORY REVIEW OF CITY RECORDS

Upon hearing about this recent news involving retired Public Utilities General Manager David Wright, the City Manager's Office began a cursory review of City records in collaboration with the Finance Department and Public Utilities Department. Both departments conducted system searches based on any possible City business with the following four companies which were mentioned in the two press releases by the Department of Justice:

1. Aventador Utility Solutions
2. Cyber Company
3. Ardent Cyber Solutions
4. Newco



15

RiversideCA.gov

15

CURSORY REVIEW OF CITY RECORDS

Based on these searches, one of the company names discussed above surfaced in City records, Ardent Cyber Solutions. This company name came up in two queries in the City's Legistar system with the Board of Public Utilities agendas as follows:

- Board of Public Utilities Agenda for 6/10/2019
 - General Manager's Report, Item 31 regarding SCPPA Monthly Agenda and Minutes from April 18, 2019 (Attachment 2)
 - Item 6A – Resolution 2019-31: Approval of Master Professional Services Agreement with Ardent Cyber Solutions, LLC to provide Cybersecurity Services to SCPPA Member Agencies
 - Minutes reflect that Mr. Dave Wright moved to approve these resolutions which were unanimously approved by the Board of Directors.
 - Minutes reflect that Riverside Public Utilities General Manager Todd Corbin (Board Member) and Riverside Public Utilities Deputy General Manager Danny Garcia (Alternate) were present for the meeting.



16

RiversideCA.gov

16

CURSORY REVIEW OF CITY RECORDS

Query results continued:

- Board of Public Utilities Agenda for 8/12/2019
 - General Manager's Report, Item 18 regarding SCPPA Monthly Agenda and Minutes from May 16, 2019 and July 18, 2019 (Attachment 3)
 - April 18, 2019 SCPPA Board Minutes were repeated as an attachment to the May 16, 2019 SCPPA agenda



17

RiversideCA.gov

17

BUDGET ENGAGEMENT COMMISSION PARTICIPATION

- On February 14, 2017, David Wright was appointed by the City Council to the City's Budget Engagement Commission (BEC). Former Mayor Rusty Bailey nominated Mr. Wright for the city-wide resident seat.
- During his short tenure, Mr. Wright attended seven of nine BEC meetings that were held. On October 3, 2017, Mr. Wright resigned from the Budget Engagement Commission which was formally approved by the City Council on October 24, 2017.



18

RiversideCA.gov

18

INQUIRY OPTIONS

- At the conclusion of the December 7, 2021, City Council meeting, considering the recent developments involving retired RPU General Manager David Wright and the City's involvement with SCPPA, Councilmember Conder identified specific items go to City Council Committee for future inquiry, consideration and direction, followed by Councilmember Perry suggesting that the discussion should come to the full City Council; Councilmember Conder concurred with Councilmember Perry's recommendation. In response to the Councilmembers' items for future consideration, the City Manager, City Attorney and City Clerk are requesting direction from the City Council on the following items:



19

RiversideCA.gov

19

INQUIRY OPTIONS

- Provide direction to the City Manager, prior to finalizing the Eide Bailly SCPPA audit, on whether to require that Eide Bailly expand its original public engagement scope to speak with Mr. Jason Hunter and investigate, document, and report out any specific evidence provided by Mr. Hunter.
- Provide direction to the City Attorney, City Clerk, and City Manager to query, document, and investigate all professional service contracts with RPU, within a date range as determined by City Council, for potential contract steering and potential conflicts of interest and/or provide direction to the City Attorney to facilitate an independent investigation reporting directly to the City Council of all professional service contracts with RPU, within a date range as determined by City Council, for potential contract steering and potential conflicts of interest or other matters as determined by the City Council.
- Provide direction to the City Attorney, City Clerk, and City Manager on whether to review and discuss Measure MM and clarify its intent/expressed purpose and investigate exceptions to its intent/expressed purpose related to professional service contracts not requiring City Council approval.



20

RiversideCA.gov

20

INQUIRY OPTIONS

4. Provide direction to the City Attorney on communications with the Department of Justice, Attorney General, District Attorney and other applicable legal bodies regarding the City's participation in SCPPA.
5. Provide direction to the City Manager, City Attorney and RPU General Manager on whether to prepare and submit a letter to SCPPA requesting a full investigation of potential contract steering and potential conflicts of interest within a date range as determined by City Council.



21

RiversideCA.gov

21

STRATEGIC PLAN ALIGNMENT

Strategic Priority No. 5 – High Performing Government

Goal 5.3 – enhance communication and collaboration with community members to improve transparency, build public trust, and encourage shared decision-making.

Cross-Cutting Threads



Community Trust



Fiscal Responsibility



Sustainability & Resiliency



Equity



Innovation



22

RiversideCA.gov

22

RECOMMENDATIONS

That the City Council:

1. Receive an update on the Riverside Public Utilities Department participation in the Southern California Public Power Authority;
2. Determine whether to retain outside counsel and an investigator, reporting directly to City Council, to investigate all professional service contracts with the Public Utilities Department within a date range as determined by City Council for potential contract steering, potential conflicts of interest; or other matters as determined by the City Council; and
3. Provide direction to the City Attorney, City Clerk and City Manager on several Inquiry Options identified in the report.



23

RiversideCA.gov