



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: OCTOBER 6, 2015

FROM: PUBLIC UTILITIES DEPARTMENT WARDS: ALL

SUBJECT: THE HIGH VOLTAGE ELECTRIC SERVICE AGREEMENT BETWEEN RALPHS GROCERY COMPANY AND THE CITY OF RIVERSIDE

ISSUE:

The issue for City Council consideration is to approve the First Amendment to the High Voltage Electric Service Agreement at a 69 kV service level with Ralphs Grocery Company.

RECOMMENDATIONS:

That the City Council:

1. Approve the First Amendment to the High Voltage Electric Service Agreement between Ralphs Grocery Company and the City of Riverside, extending the term for three years; and
2. Authorize the City Manager or his designee to execute the First Amendment including making minor non-substantive changes.

BOARD RECOMMENDATION:

On September 4, 2015 the Board of Public Utilities, with all members present, unanimously approved the First Amendment to the High Voltage Electric Service Agreement between Ralphs Grocery Company and the City of Riverside extending the term for three years.

BACKGROUND:

Ralphs Grocery Company (Ralphs) – with six supermarkets located throughout Riverside and its distribution center located at 1500 Eastridge Avenue – is one of Riverside Public Utilities' (RPU) largest customers. Ralphs operates a nearly one million square foot grocery distribution facility, which distributes dry goods and perishable products and produces various dairy products for its stores located throughout Southern California. This facility currently employs between 1,000-1,100 workers onsite and operates on a 24/7 schedule. Approximately half of the facility is dedicated to refrigerated cold storage and uses steady base load power that results in an advantageous load profile for procuring and delivering energy to the site.

Ralphs currently receives delivery of their electricity from a 69 kV level substation under a High Voltage Electric Service Agreement and has requested a three-year extension to the agreement

through this Amendment. Agreements for high voltage electric service are limited to large industrial customers that RPU determines can take delivery of their electricity directly from a substation at the 69 kV service level in accordance with RPU Electric Rules and Rates. To qualify for the High Voltage rate, such large industrial customers must be located within suitable physical proximity of an existing substation as determined by RPU. The power is then transmitted from the substation through a line-specific, leased portion of the transmission system owned and operated by the City and transmitted to the customer's facilities. This type of service is cost beneficial for only some of RPU's largest customers who are billed for power at this high voltage rate. Ralphs suitable proximity to the Springs Substation, located within the Sycamore Canyon Business Park, is the primary factor for a cost effective rate under this agreement for 69 kV service. Since Ralphs takes delivery of power at this level, they are responsible for paying a portion of the operation and maintenance costs of the facilities located at the substation necessary to serve them at 69 kV, and are also responsible for internal distribution costs.

Ralphs initially entered into a High Voltage Electric Service Agreement with the City in June 2000. The contract expired on May 1, 2009. Ralphs subsequently entered into a three-year High Voltage Electric Service Agreement with the City effective May 1, 2009, through April 30, 2012, and again entered into another three-year contract from May 1, 2012, through April 30, 2015. RPU staff is proposing an amendment to the current High Voltage Electric Service Agreement with Ralphs extending the existing terms, conditions and rates. This amendment would be effective May 1, 2015, and expire on April 30, 2018. The current rate schedule is supported by the results of a recent Cost-of-Service study and includes Time-of-Use rates. Rates are calculated based upon cost components unique to each particular customer.

FISCAL IMPACT:

The estimated revenue RPU will receive over the term of this agreement is \$9.6 million. This recovers all costs required to serve this customer, including capital replacement and operation and maintenance charges of the 69/12 kV customer site substation.

Prepared by:	Girish Balachandran, Public Utilities General Manager
Certified as to availability of funds:	Brent A. Mason, Finance Director/Treasurer
Approved by:	John A. Russo, City Manager
Approved as to form:	Gary G. Geuss, City Attorney
Attachment:	Board of Public Utilities Minutes – September 4, 2015