RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES **DATE**: SEPTEMBER 26, 2016

ITEM NO: 12

SUBJECT: **THREE-YEAR ELECTRIC SERVICE AGREEMENT WITH THE UNIVERSITY OF CALIFORNIA, RIVERSIDE FOR APPROXIMATELY $34 MILLION IN ELECTRIC REVENUE AND THE USE OF APPROXIMATELY $2.5 MILLION IN PUBLIC BENEFIT FUNDS FOR QUALIFIED ENERGY EFFICIENCY PROJECTS**

ISSUE:

Approve a three-year Electric Service Agreement between the City of Riverside and the University of California Riverside.

RECOMMENDATIONS:

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

1. Approve a three-year Electric Service Agreement between the City of Riverside and the University of California Riverside to provide electric services as stipulated in the agreement; and

2. Authorize the City Manager, or his designee, to execute the agreement.

BACKGROUND:

In 1998, the City of Riverside (City) entered into a strategic energy agreement for electric services with the University of California Riverside (UCR). The Electric Service Agreement has since been subsequently amended three times and expired on August 31, 2016. RPU staff is recommending the approval of a new, three-year Electric Service Agreement between UCR and the City that transitions this customer to the Large General and Industrial Service Time of Use Rate. Over the three years of this Electric Service Agreement, the estimated electric revenue is approximately $34 Million for the main campus served by the UCR Substation.

UCR is Riverside Public Utilities' (RPU) largest customer, accounting for roughly 5% of the total energy used within the service territory. UCR is unique among RPU's electric customers in that they take their energy delivery for the majority of the main campus area at a substation that is almost exclusively utilized by UCR. UCR then delivers this electricity through a university owned, operated and maintained internal electric distribution system on the main campus.

UCR has shifted a significant portion of their overall electrical usage to off-peak periods, generally between midnight and six a.m., through installation of several large Thermal Energy Storage (TES) systems. A TES system cools water during off-peak hours and then uses that chilled water as a means to air condition the main campus during peak afternoon and evening hours. As UCR has constant cooling needs 24/7, this TES usage helps smooth the electric load for the campus, making it easier and more economical for RPU to purchase power with base load resources without the typically large and unpredictable spikes in usage that are normally associated with cooling loads during costly summer peak hours. UCR takes service delivery at 69kV level then steps it down to the 12kV level for distribution on the main campus. It requires them to maintain several millions of dollars of substation equipment to operate their main campus internal distribution system. Ownership and maintenance of such expensive and complex electrical equipment are only cost beneficial to the very largest users of electricity. RPU owns the substation and wishes to continue to do so to

allow unlimited access to maintain and repair the overall City system.

RPU's rates staff determined that the best rate for UCR at this time is the Large General and Industrial Service Schedule Time of Use Rate. On September 1, 2016, UCR transitioned to the standard time of use Tariff Rate upon the expiration of the previous agreement for the main campus served by the UCR Substation. If alternative rates are developed in the future during the term of this agreement, such as the proposed high voltage rate, UCR can transition to the most cost effective rate that they qualify for at that time. The proposed high voltage rate will allow UCR to receive an adjustment for the distribution costs as a result of the campus taking service at the high voltage 12kV level.

This new 3-year contract was also developed to assist UCR in meeting its campus sustainability goals. The Office of the UC President has adopted an aggressive goal for climate neutrality. All UC campuses must have net zero climate impacts from greenhouse gas (GHG) emissions by 2025. To achieve this goal a significant portion of UCR's power will need to come from renewable, non-GHG emitting resources. As part of this agreement, RPU is willing to assist UCR by allocating a portion of its renewable power resources portfolio to meet the requirements of the university. Renewable energy resources are typically more expensive than traditional coal or natural gas energy generation. UCR is willing to pay a premium for the allocation of this non-GHG power. Under the terms of this agreement, UCR will have the option to purchase renewable energy in available blocks at the premium cost of $18 per Megawatt Hour (MWH) over the standard energy cost up to a maximum of 40,000 MWH's. In addition, as another way to further reduce UCR's reportable greenhouse gas emissions RPU will agree to accept annually and retire Renewable Energy Credits supplied by the University of California. These transactions will not affect the actual energy supplies to the City. These procedures will allow UCR to report the environmental attributes for renewable energy projects that have been procured directly by the University of California through the UC Office of the President and their utility. RPU will also prepare and publish a customer-specific power content label for UCR each year.

In addition to clean energy, UCR has sustainability goals around energy efficiency. There are a substantial number of older facilities on campus targeted for energy efficiency retrofit projects with significant potential to reduce kWh consumption. As UCR represents the largest single user of electricity in the City, it has the potential to be the largest contributor towards energy savings mandates. These energy efficiency projects will also help UCR towards achieving the goal of reduced emissions. UCR's energy efficiency goals align closely with RPU's energy efficiency goals and will greatly assist RPU in achieving its annual kWh savings targets as reported to the State annually. The contract includes a provision for energy reduction through projects which specifically reduce energy usage on campus through energy efficiency retrofits, and the use of newer, more efficient construction practices. RPU has offered a performance-based incentive rebate structure for UCR to encourage implementation of these retrofits and improvements. Essentially the more kWh savings UCR achieves, the higher the rebate incentive UCR can receive from RPU. The program sets aggressive annual kWh savings targets of 5 million kWh savings per year and corresponding increases in rebate incentives for each year of the agreement if UCR achieves these energy efficiency targets. The estimated costs for these energy efficiency rebates are approximately $2.5 million in Public Benefit Funds over the three-year term of this Electric Service Agreement or a maximum of approximately $.17 cents per kWh saved.

FISCAL IMPACT:

Over the three years of this agreement, estimated electric revenue under the Large General and Industrial Service Schedule Time of Use Rate for the main campus served by the UCR Substation is approximately $34 million. Sufficient funds are included in Public Benefit Funds Program budget (Fund 511) for Fiscal Years 2016/17 and 2017/18 to cover the cost associated with energy efficiency rebates. Subsequent year(s) will be included in the budget process.

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Approved by:	John A. Russo, City Manager
Approved as to form:	Gary G. Geuss, City Attorney

Certifies availability
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Attachment:
1. Electric Service Agreement
2. Presentation