



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL      DATE: DECEMBER 13, 2016**

**FROM: PUBLIC UTILITIES DEPARTMENT      WARDS: ALL**

**SUBJECT: FIRST AMENDMENT TO THE CUSTOM ENERGY TECHNOLOGY GRANT AGREEMENT WITH PACIFIC ENERGY CORPORATION FOR THE DEVELOPMENT OF A DEMAND RESPONSE AND PEAK SHAVING ADVANCED ENERGY STORAGE SYSTEM, EXTENDING THE TERM TO JANUARY 31, 2017**

## **ISSUE:**

Approve the First Amendment to the Custom Energy Technology Grant Agreement with Pacific Energy Corporation, for their proposal to develop a Demand Response and Peak Shaving Advanced Energy Storage System, extending the term to January 31, 2017.

## **RECOMMENDATIONS:**

That the City Council:

1. Approve a first amendment to extend for six months the Custom Energy Technology Grant Agreement with Pacific Energy Corporation; and
2. Authorize the City Manager or his designee to execute the agreement extension with Pacific Energy Corporation, including making minor and non-substantive changes.

## **BOARD RECOMMENDATION:**

On November 14, 2016, the Riverside Public Utilities' Board unanimously approved and recommended that City Council approve the first amendment to extend for six months the Custom Energy Technology Grant Agreement with Pacific Energy Corporation.

## **BACKGROUND:**

One of Riverside Public Utilities' (RPU) programs funded from the Public Benefits Funds is the Custom Energy Technology Grant (CETG) program. The program was created to provide RPU business electric customers with the opportunity to request funding for the advancement of renewable energy resource technology projects, research and development, and demonstration programs. Winning proposals selected address the changes that the advancement of technology has brought into the utility industry in the last five years. RPU looks to continue its partnerships to explore ways to utilize technologies available today to make cleaner energy more reliable. Grants are awarded for energy-efficiency projects that are unique to a business or manufacturing process

that is not covered under one of RPU's existing rebate or incentive programs.

## **DISCUSSION:**

In November 2013, RPU commercial, electric customer, Pacific Energy Corporation (Pacific Energy), submitted a proposal to apply for grant funding through RPU's CETG program. The funds would help support the design, engineering, and construction of a 100 kilowatt-hour peak shaving, advanced energy storage system to be integrated into an existing commercial building utilizing lithium ion batteries, advanced controls, and measurement equipment. The applicant's intention was to develop a Demand Response and Peak Shaving system to benefit both RPU and the end user through optimal management of peak energy loads.

On January 23, 2015, the Board of Public Utilities approved the CETG for Pacific Energy. City Council approved it on February 10, 2015, and on February 17, 2015, the City of Riverside entered into an agreement with Pacific Energy to fund the development of a Demand Response and Peak Shaving Advanced Energy Storage System. The terms of the agreement granted Pacific Energy \$70,000 paid in four installments of \$17,500 each with one payment funded in Fiscal Year 2014-15 and three payments funded in Fiscal Year 2015-16. The terms of payment are represented in the Milestone Deliverables table below:

<b>Milestone Date</b>	<b>Milestone Deliverables</b>	<b>Grant Funds</b>
January 5, 2015	<u>Grant Project Initiation</u> : Submit to City a Certification of Project Initiation.	\$17,500
September 30, 2015	<u>Grant Project Completion</u> : Submit to City a Certification of Project Completion, certifying that all project hardware and software have been properly installed, interconnected, and tested for operation as specified in the Grant Proposal.	\$17,500
January 15, 2016	<u>Quarterly Report I</u> : Submit to City a quarterly report on first three months of operation data, as specified in the Grant Proposal, based on RPU's pre-determined automatic dispatch schedule.	\$17,500
April 15, 2016	<u>Quarterly Report II</u> : Submit to City a quarterly report on second three months of operation data, as specified in the Grant Proposal, based on specific dispatch instructions from RPU every 48 hours.	\$17,500

Pacific Energy formally requested a "cure period" for the grant delaying the project. They requested a new due date of February 12, 2016, for the Grant Project Completion. Pacific Energy stated the reason for the delay laid on two issues; 1) the loss of Engineering Staff and 2) an unresponsive power electronics vendor. Months later Pacific Energy informed RPU staff of another delay to the project caused by a change in the AC line filter that was not performing up to standards. The new filter inductor is a custom-made part with a long lead time for delivery. The energy storage system was not completed in enough time to meet the remaining milestones.

On July 8, 2016, more than nine months past the Grant Project Completion milestone date according to the agreement, RPU staff visited the Pacific Energy facility. From that visit, staff was able to confirm that the Pacific Energy project was complete, certifying all project hardware and software was installed, interconnected and tested for operation and data collection. The delays

in the project made it impossible to meet the third and the fourth milestones of the agreement, collecting a total of six months of operation data before August 15, 2016, the expiration date of the contract.

Pacific Energy has formally requested in a letter to RPU a six-month extension to the agreement to fulfill the requirement of collecting six months of operation data, which is necessary to collect the remaining grant funds.

Pacific Energy stated in a letter to RPU:

“Pacific Energy is a Riverside Based power systems engineering company committed to providing safe, reliable, and efficient energy storage systems. Due to unforeseen circumstances and in order to make sure the product is the best that it can be, we have had to extend this project. All the extra engineering time and part orders have been paid for exclusively by Pacific Energy.” Additional information is attached.

### **FISCAL IMPACT:**

There is no fiscal impact to this request for an extension to the CETG Agreement.

Prepared by: Girish Balachandran, 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. First Amendment to the Custom Energy Technology Grant Agreement with Pacific Energy Corporation
2. Pacific Energy's Proposal for a Peak Energy Demand Shaving System
3. Cure Period Request Letter from Pacific Energy
4. Extension Request Letter from Pacific Energy