



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL**      **DATE: MARCH 28, 2017**  
**FROM: PUBLIC UTILITIES DEPARTMENT**      **WARDS: ALL**  
**SUBJECT: UPDATE ON THE PROCUREMENT OF ENERGY AND TRANSMISSION FROM THE INTERMOUNTAIN POWER PROJECT REPOWER PROJECT**

## **ISSUE:**

Receive, review and file this update on the City of Riverside's procurement of energy and transmission from the Intermountain Power Project Repower Project.

## **RECOMMENDATIONS:**

That the City Council receive, review and file this update on the City of Riverside's procurement of energy and transmission from the Intermountain Power Project Repower Project.

## **BOARD RECOMMENDATION:**

On February 27, 2017, the Board of Public Utilities, with seven members present, received an update on the procurement of energy and transmission from the Intermountain Power Project (IPP) Repower Project and unanimously approved to forward the recommendation to City Council to receive the update.

## **BACKGROUND:**

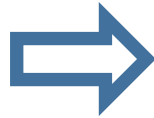
In 1980, Riverside entered into the current IPP Power Sales Contract with the Intermountain Power Agency (IPA) for the purchase of baseload coal-fired electric power and the associated transmission services. The IPP project currently consists of 1,800 megawatts (MW) of coal generation located near Delta, Utah and two transmission lines, the Southern Transmission System and Northern Transmission System. There are 36 participants in IPP, including six from California (Riverside, Los Angeles, Anaheim, Burbank, Glendale and Pasadena). Riverside's current entitlement share of the IPP generation is 7.617% or approximately 136 MW. Riverside's current entitlement in Southern Transmission System transmission is 10.164% or approximately 244 MW. Los Angeles Department of Water and Power is the Operating Agent for the generating and transmission facilities. The current IPP Power Sales Contract will terminate on June 15, 2027. The City Council, as discussed herein, has authorized Riverside Public Utilities to participate in the repowering of IPP to non-coal generated energy.

The IPP Repower Project is proposed as a natural gas fueled combined cycle plant of 1,200 MW.

The estimated emission rate for the Repower Project is 800 lbs. of carbon dioxide per MW hour of generation, which is 27% lower than the State-wide goal of 1,100 lbs. per MW hour, established through Senate Bill 1368 in 2006. The anticipated commercial operation date for the Repower Project is July 1, 2025.



**IPP Coal Plant**



**Natural Gas Plant**

On June 16, 2015, Riverside City Council authorized the City Manager or his designee to participate in the IPP Repower Project for up to 5% in generation capacity or 60 MW, and to execute any documents necessary to administer the Renewal Power Sales Contract. Staff was further instructed to report back to the Board of Public Utilities and the City Council on the final subscription results of the IPP Repower Project.

### **DISCUSSION:**

On March 18, 2016, IPA issued renewal offers in the IPP Repower Project to all IPP participants. The renewal subscription process consists of three possible rounds to ensure the Repower Project is fully subscribed. In the first round, existing participants may elect up to their current generation entitlement share percentage. In the subsequent rounds, the subscribing participants in the first round may make additional elections to the extent there are unsubscribed entitlement shares. Each participant's percentage election during the subscription round(s) are binding commitments to participate in the Repower Project.

Prior to accepting subscription offers from IPA, Riverside must obtain all required regulatory contract approvals, including the SB 1368 Compliance Filing approval from the California Energy Commission (CEC). The implementing regulations (Title 20 Sections 2908 and 2909) require that publicly-owned utilities, upon governing body approval, submit a Compliance Filing to the CEC within ten (10) business days of entering into a "covered procurement" such as the IPP Repower Project. On November 2, 2016, Riverside submitted the Compliance Filing to the CEC following City Council approval of the Compliance Filing on November 1, 2016. The CEC subsequently approved Riverside's Compliance Filing on December 14, 2016.

On January 5, 2017, the General Manager of Riverside Public Utilities executed the Renewal Power Sales Contract and all other necessary documents for the first two rounds of the subscription process. Riverside accepted an offer of 4.167% entitlement or 50 MW generation capacity in the IPP Repower Project based on the current 1,200 MW design capacity, which is within the maximum participation level approved by the City Council in 2015. Riverside's corresponding Southern Transmission System allocation is 5.278% or approximately 127 MW. The following table shows Riverside's entitlement share in the current IPP coal generation plant versus Riverside's percentage entitlement in the IPP Repower Project:

| Component                    | Current IPP Contract |        | IPP Repower Project |        |
|------------------------------|----------------------|--------|---------------------|--------|
| Generation                   | 7.617%               | 136 MW | 4.167%              | 50 MW  |
| Southern Transmission System | 10.164%              | 244 MW | 5.278%              | 127 MW |

California participants such as Riverside (except for Los Angeles) have the right, but not the obligation, to exit completely from the IPP Repower Project or reduce their entitlement share by up to 20% prior to November 1, 2019. Upon exiting, such participants will no longer have any prospective cost responsibilities, including decommissioning costs.

#### FINAL SUBSCRIPTION RESULTS OF THE IPP REPOWER PROJECT:

The IPP Repower Project renewal subscription process was completed after two rounds on January 17, 2017 and all entitlements in the project were fully subscribed. Thirty-two of the original 36 participants participated in the subscription process. The following table reflects the final subscription results of the IPP renewal subscription process.

| Participants                       | Generation Entitlement | Southern Transmission System Entitlement |
|------------------------------------|------------------------|--|
| Burbank Water & Power              | 4.167%                 | 5.278%                                   |
| Glendale Water & Power             | 4.167%                 | 5.278%                                   |
| Los Angeles Dept. of Water & Power | 64.775%                | 82.053%                                  |
| Pasadena Water & Power             | 1.667%                 | 2.112%                                   |
| <b>Riverside Public Utilities</b>  | <b>4.167%</b>          | <b>5.278%</b>                            |
| Utah participants                  | 21.057%                | 0.000%                                   |
| <b>Total</b>                       | <b>100.000%</b>        | <b>100.000%</b>                          |

#### UTILITY 2.0 - MAINTAIN FLEXIBILITY:

Having Generation Entitlement of 50 MW in the IPP Repower Project will allow Riverside to maintain flexibility in the Utility's future procurement planning process. Should Riverside's resource procurement strategy change in the future, Riverside will have the option to exit the Repower Project completely, or reduce its entitlement share by up to 20% before November 1, 2019. Consistent with Riverside's Utility 2.0 framework, this embedded optionality to stay in, exit, or reduce participation in the IPP Repower Project provides Riverside with maximum flexibility in the coming years to explore all viable and cost effective resource alternatives to meet Riverside's reliability needs and regulatory mandates.

#### **FISCAL IMPACT:**

There is no fiscal impact related to this update.

Prepared by: Girish Balachandran, Public Utilities General Manager  
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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. City Council Report - June 16, 2015
2. Draft minutes of the Public Utilities Board – February 27, 2017
3. Presentation