

RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: FEBRUARY 26, 2018

ITEM NO: 10

SUBJECT: SECOND AMENDMENT TO THE INTERCONNECTION FACILITIES AGREEMENT BETWEEN SOUTHERN CALIFORNIA EDISON COMPANY AND THE CITY OF RIVERSIDE INCREASING PAYMENT TO SOUTHERN CALIFORNIA EDISON TO CONTINUE WORK ON THE RIVERSIDE TRANSMISSION RELIABILITY PROJECT - WORK ORDER NO. 642975, FOR \$1,500,000

ISSUES:

Approve the expenditure increase of \$1,500,000 for Work Order 642975; and, recommend that the City Council approve the Second Amendment to the Interconnection Facilities Agreement between Southern California Edison Company and the City of Riverside for Southern California Edison to continue work on the Riverside Transmission Reliability Project - Work Order No. 642975, for \$1,500,000.

RECOMMENDATIONS:

That the Board of Public Utilities:

1. Approve the expenditure of \$1,500,000 for Work Order 642975;
2. Recommend that the City Council approve the Second Amendment to the Interconnection Facilities Agreement between Southern California Edison Company and the City of Riverside revising the cost and payment schedule and increasing the amount of the agreement by \$1,500,000; and,
3. Recommend that the City Council authorize the City Manager, or his designee, to execute the Second Amendment to the Interconnection Facilities Agreement including making minor non-substantive changes, and to sign all documents necessary to complete the transaction for filing with the Federal Energy Regulatory Commission by Southern California Edison Company.

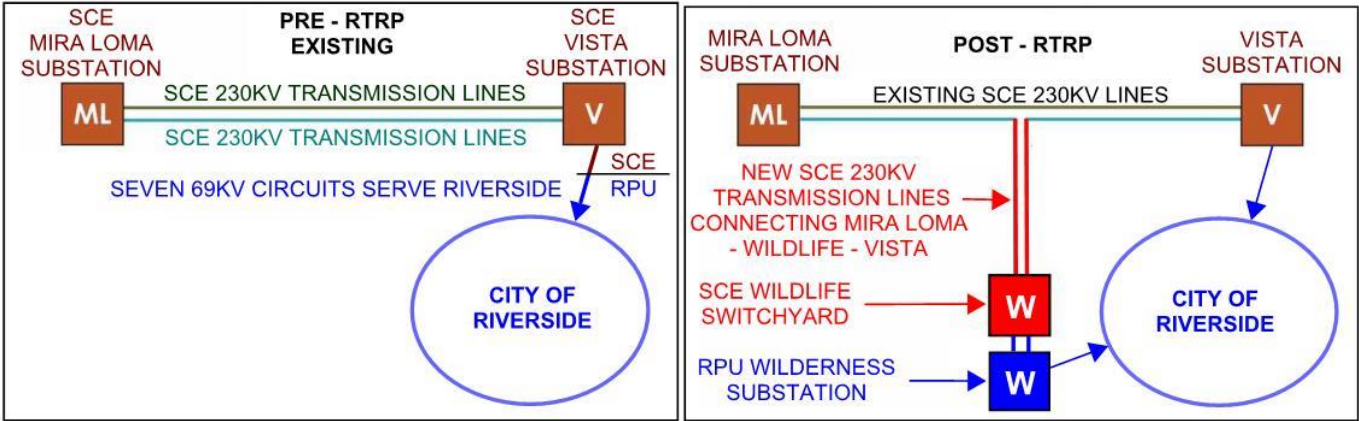
BACKGROUND:

The Board of Public Utilities (Board) approved the Riverside Transmission Reliability Project (RTRP) in January 2006 following Riverside Public Utilities' (RPU) application for the service in November 2004 and Southern California Edison Company's (SCE) System Impact Study and Facilities Study in June and October 2005. It is a joint project with SCE to provide Riverside a second connection to the state electric transmission grid addressing the capacity and reliability needs of the City.

SCE's participation and cost recovery is subject to California Independent System Operator (CAISO) and California Public Utility Commission (CPUC) approvals. CAISO approved the project in September 2006. The CPUC approval process is ongoing. SCE is also subject to its Transmission Owner Tariff rules and Federal Energy Regulatory Commission (FERC) approvals, including FERC approval of interconnection facilities agreements between SCE and applicants. The interconnection facilities agreement between RPU and SCE sets the forth terms and conditions for SCE to work on RTRP.

Following negotiations between the parties, the first Interconnection Facilities Agreement (Agreement) between RPU and SCE was approved by City Council (Council) in March 2009, and certified by FERC in April 2009. In August 2010, Council approved amending the Agreement to reflect changes to the Facilities Cost and Payment Schedule. In November 2010, FERC accepted the First Amendment to the Agreement for filing.

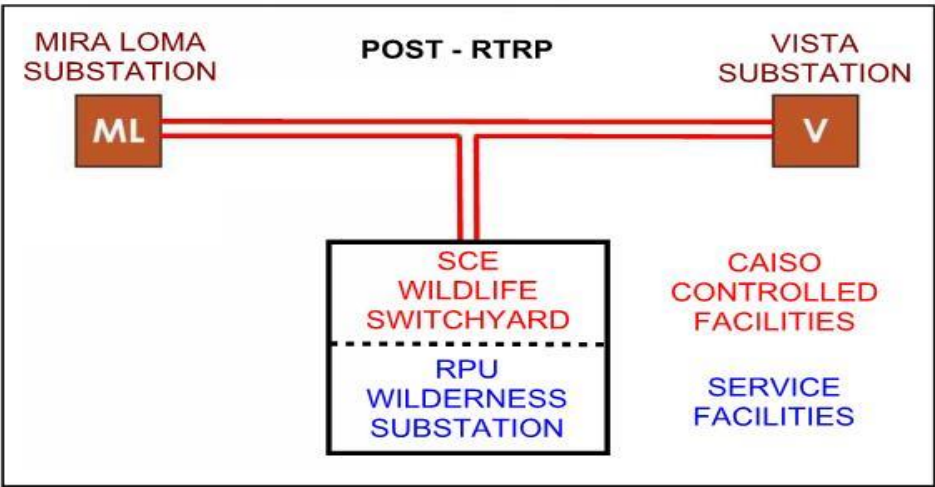
Consistent with the Agreement, SCE will construct, own and operate Wildlife Switchyard. RPU will construct, own and operate the Wilderness Substation.



SINGLE CONNECTION TO THE STATE GRID

TWO CONNECTIONS TO THE STATE GRID

SCE is responsible for the total cost of the California’s Independent System Operator (CAISO) controlled facilities once approval for RTRP is secured at the CPUC. CAISO manages the flow of electricity across high-voltage, long distance power lines that transmit power statewide. RPU is responsible for the total cost of the RTRP service facilities installed for the exclusive benefit of RPU.



CAISO CONTROLLED FACILITIES / NON-CAISO CONTROLLED FACILITIES

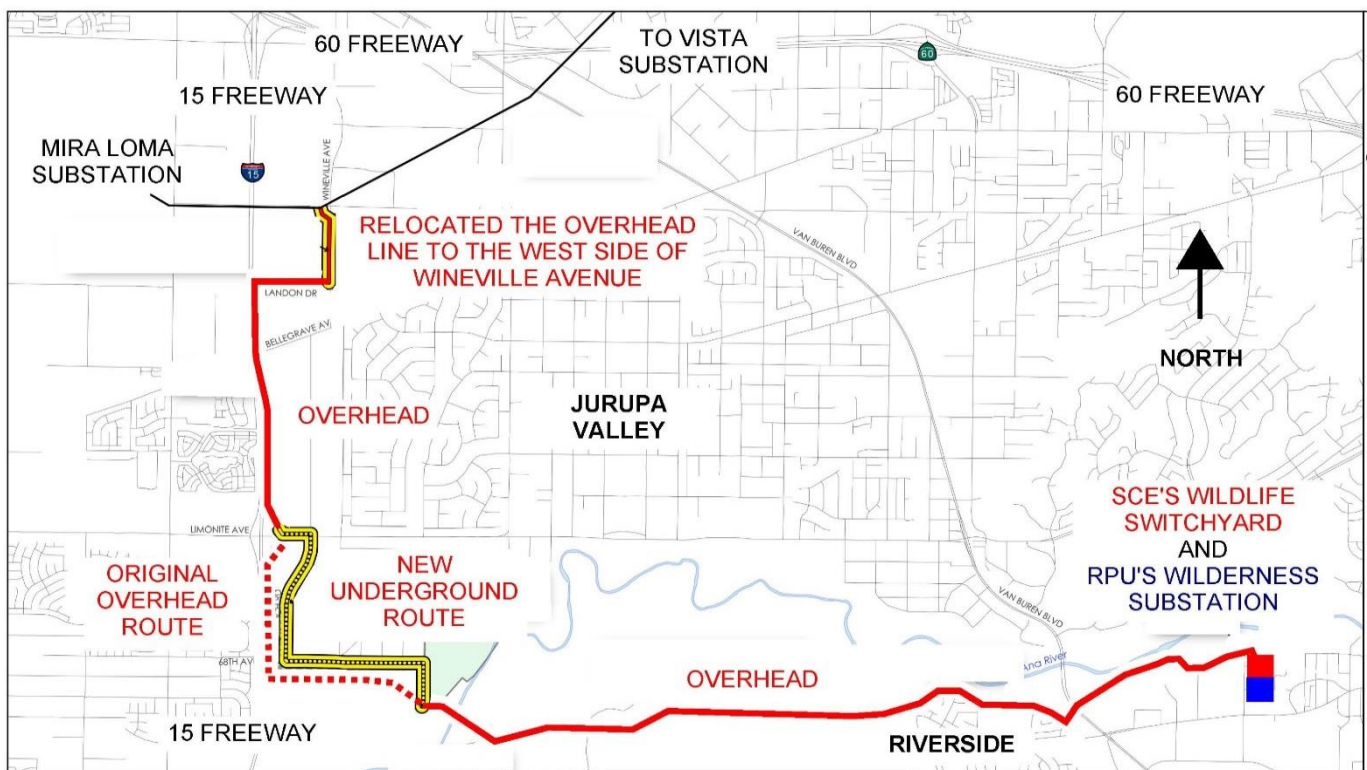
Riverside is the lead California Environmental Quality Act (CEQA) agency for RTRP and responsible for providing environmental impact studies and for acquiring environmental permits and approvals necessary to construct RTRP. In addition, the Agreement states that when requested to do so by SCE, Riverside will provide information and assist SCE obtain a Certificate of Public Convenience and Necessity (CPCN) from the California Public Utility Commission (CPUC, or Commission). Riverside is responsible for all project related costs including costs incurred by SCE up until the Commission issues a Certificate of Public Convenience and Necessity to SCE. Upon CPUC approval, SCE will reimburse Riverside all payments made to SCE for the Licensing and Permitting of the CAISO Controlled Facilities and all costs including environmental and licensing costs incurred by Riverside related to activities necessary for the construction

of the ISO controlled facilities including SCE's Wildlife Switchyard and the Mira Loma-Wildlife-Vista 220 kV loop. If approval for RTRP is not granted by the CPUC, then Riverside will be responsible for all project costs. As noted previously, Riverside is responsible for the cost of the Non-CAISO controlled facilities.

The 2010 Agreement includes a Facilities Cost and Payment Schedule. The total amount due SCE under the 2010 Agreement was \$8,820,000. Project records reflect that RPU made 25 payments of various amounts between June 2008 and January 2015 for a total amount of \$8,820,000. These monies were used by SCE to pay for Licensing and Permitting costs which are 100% reimbursable to RPU as they are directly related to the CAISO Controlled Facilities. Reimbursement to RPU from SCE will occur once the project is approved by the CPUC.

Since all of the money contemplated under the 2010 Agreement is now exhausted, Riverside and SCE now desire to amend certain terms of the Agreement as set forth in this Second Amendment to the Agreement to revise the Facilities Cost and Payment Schedule.

SCE submitted its application for a Certificate of Public Convenience and Necessity (CPCN) to the CPUC in April 2015. The CPUC deemed the application complete on January 5, 2017. The CPUC issued a Notice of Preparation on January 25, 2017 stating that it is beginning preparation of a subsequent environmental impact report to address changed conditions not considered in the FEIR. The CPUC determined that the proposed Hybrid Route, as submitted by SCE to the CPUC, requires additional environmental screening because it is different that the route that was initially studied in the Final Environmental Impact Report that was certified by the City Council in February of 2013. The Hybrid Route is shown in the figure below.



230KV TRANSMISSION ROUTE – THE HYBRID ROUTE

Throughout the SCE application process and continuing with the CPUC's subsequent environmental impact report process, SCE continues to expend considerable resources responding to questions submitted by the CPUC and others. The questions and responses are typically very technical and oftentimes require special studies by subject matter experts. This process began shortly after SCE submitted its application for the CPCN in 2015 and it is still very active today.

In addition to the environmental actions noted above, RPU and SCE are continuing work on securing approvals from various local, state, and federal agencies. The CPUC administrative law judge (ALJ) issued an order on August 15, 2017 directing SCE, RPU, and CAISO to prepare a joint report addressing low voltage alternatives to RTRP. SCE filed the report with the CPUC on January 12, 2018.

When the 2010 Agreement was drafted and executed, neither SCE nor RPU foresaw the many complications associated with the environmental, licensing, and permitting approvals which has resulted in the protracted project schedule for RTRP today.

DISCUSSION:

The proposed Second Amendment to the Agreement increases the funding by \$1,500,000. This is an interim measure to provide time for RPU staff to review SCE's records and accounts of all costs incurred. In addition, staff will also be reviewing SCE's cost estimates to support the application until the CPUC approves the CPCN which is currently forecasted to be in July 2019.

As part of the review process, SCE will propose further amendments to the Agreement addressing the full amount to complete the project. Staff will submit the third amendment to the Agreement for Board and Council for approvals at a later date.

FISCAL IMPACT:

The total cost of this action is \$1,500,000. Sufficient funds are available in Public Utilities' Electrical Capital Account No. 6130000-470686 (reimbursable account).

Prepared by: George R. Hanson, Utilities Assistant General Manager/Energy Delivery
Approved by: Todd Jorgenson, Utilities Interim General Manager
Approved by: John A. Russo, City Manager
Approved as to form: Gary G. Geuss, City Attorney

Certifies availability
of funds: Laura M. Nomura, Utilities Assistant General Manager/Finance

Attachments:

1. Second Amendment to the Interconnection Facilities Agreement – Cover Letter
2. Second Amendment to the Interconnection Facilities Agreement – Clean Version
3. Second Amendment to the Interconnection Facilities Agreement – Redline Version
4. Presentation