

RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: DECEMBER 10, 2018

ITEM NO: 8

SUBJECT: THIRD AMENDMENT TO THE INTERCONNECTION FACILITIES AGREEMENT BETWEEN SOUTHERN CALIFORNIA EDISON COMPANY AND THE CITY OF RIVERSIDE TO INCREASE PAYMENT TO SOUTHERN CALIFORNIA EDISON BY \$19,018,110.88 AND REVISE PAYMENT SCHEDULE TO CONTINUE WORK ON RIVERSIDE TRANSMISSION RELIABILITY PROJECT -WORK ORDER NO. 642975, IN THE AMOUNT OF \$5,119,000

ISSUES:

Approve the expenditure of \$5,119,000 for Work Order No. 642975 for the amount due SCE for the Cost of the ISO Controlled Facilities which is subject to reimbursement by SCE and recommend that the City Council approve the Third Amendment to the Interconnection Facilities Agreement between Southern California Edison Company and the City of Riverside revising the Facilities Cost and Payment Schedule and increasing the amount of the Interconnection Facilities Agreement by \$19,018,110.88.

RECOMMENDATIONS:

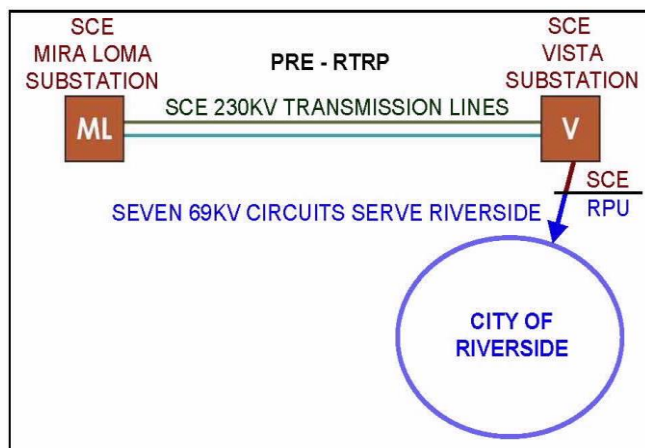
That the Board of Public Utilities:

1. Approve the expenditure of \$5,119,000 for Work Order No. 642975 for the amount due SCE for the Cost of the ISO Controlled Facilities which is subject to reimbursement by SCE;
2. Recommend that the City Council approve the Third Amendment to the Interconnection Facilities Agreement between Southern California Edison Company and the City of Riverside revising the Facilities Cost and Payment Schedule and increasing the amount of the Interconnection Facilities Agreement by \$19,018,110.88; and
3. Recommend that the City Council authorize the City Manager, or his designee, to execute the Third 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.

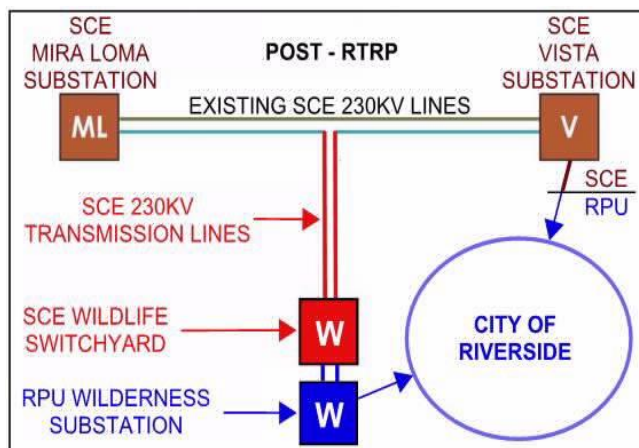
BACKGROUND:

The Riverside Transmission Reliability Project (RTRP) is a joint project with Southern California Edison Company (SCE) to provide Riverside with a second connection to the State electric transmission grid to address the capacity and reliability needs of the City. The Board of Public Utilities approved the RTRP in January 2006. Funds are available in RTRP Work Order No. 642975 to support the above recommendations.

Following Riverside Public Utilities' (RPU) December 2004 application for service from SCE, and SCE's System Impact and Facilities studies in 2005, SCE and Riverside entered into the Interconnection Facilities Agreement (IFA) defining the terms and conditions regarding RTRP participation, ownership, construction, operation, and cost sharing. The IFA was approved by City Council (Council) in March 2009 and certified by the Federal Energy Regulatory Commission (FERC) in April 2009. Since then, Council approved two amendments to the IFA, the first in August 2010 and the second in March 2018. FERC accepted the amended IFAs for filing in November 2010 and April 2018, respectively.



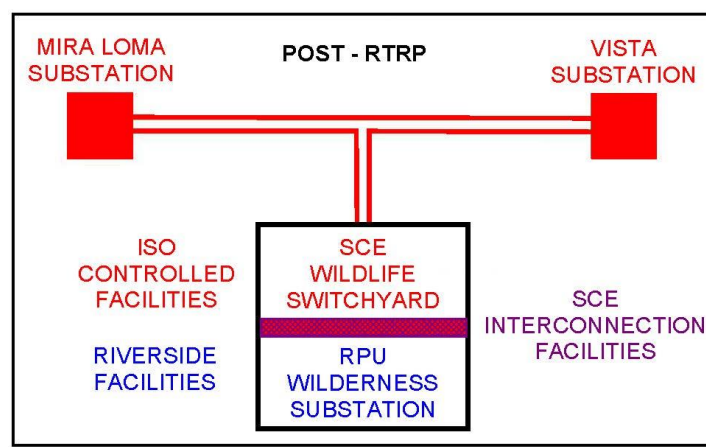
Single Connection to the State Grid



Two Connections to the State Grid

Pursuant to the IFA, SCE will construct, own, and operate Wildlife Switchyard and the transmission facilities between Wildlife Switchyard and SCE's Mira Loma and Vista Substations, collectively "ISO Controlled Facilities". The ISO is California's Independent System Operator, the agency responsible for managing the flow of power across the high-voltage transmission lines within California.

Furthermore, SCE will construct, own, and operate the facilities interconnecting SCE's Wildlife Switchyard and Riverside's Wilderness Substation, collectively "SCE's Interconnection Facilities". Riverside will construct, own, and operate Wilderness Substation and the facilities between Wilderness Substation and Riverside's substations, collectively "Riverside Facilities".



ISO Controlled Facilities / Riverside Facilities

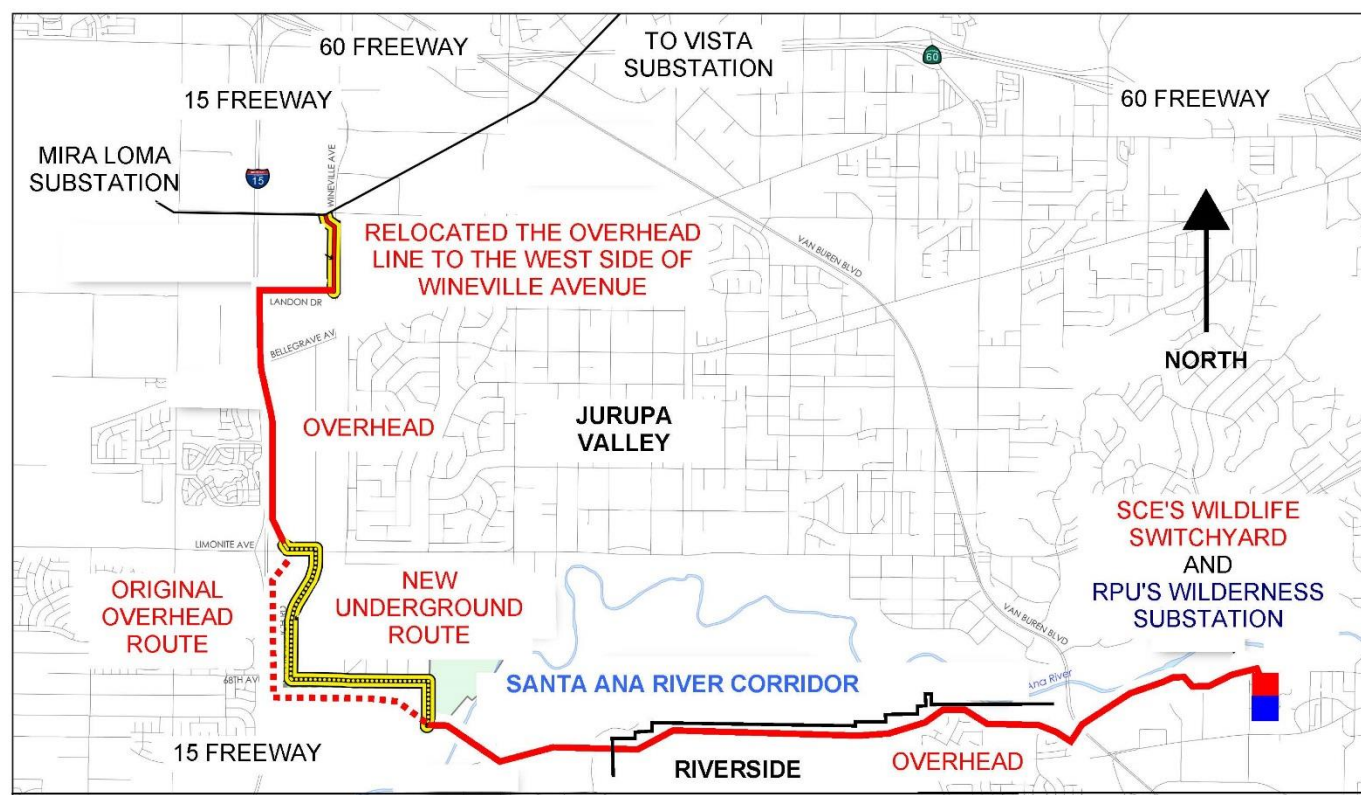
Construction of RTRP is dependent on approval from the ISO and issuance of a Certificate of Public Convenience and Necessity (CPCN) to SCE by the California Public Utility Commission (CPUC). The ISO approved RTRP in September 2006. SCE submitted an application for a CPCN on April 15, 2015 and anticipates a final decision by the CPUC before the end of 2019.

Consistent with the IFA and subject to issuance of the CPCN, SCE is responsible for the cost of the ISO Controlled Facilities and Riverside is responsible for the cost of the Riverside Facilities and SCE's Interconnection Facilities.

Up until the CPUC issues the CPCN, Riverside is responsible for all RTRP related costs including the funds advanced to SCE to cover its cost of work related to the licensing and permitting of the ISO controlled facilities. Upon issuance of the CPCN, SCE is required to reimburse Riverside the cost of all activities performed by Riverside related to the ISO Controlled Facilities including payments made to SCE by RPU for the "Cost of ISO Controlled Facilities."

On January 5, 2017 the CPUC deemed SCE's application complete.

The CPUC then issued a Notice of Preparation on January 25, 2017 declaring that it is preparing a subsequent environmental impact report (SEIR) to address changed conditions not considered in the original EIR that had been certified by Riverside on February 5, 2013. The CPUC released its draft SEIR for public comment in February 2018 and its final version on October 2, 2018. Changes are reflected on the map below.



Hybrid Route - 230kv Transmission Route

As part of the CPUC process, Riverside is providing information and assisting SCE in obtaining a CPCN from the CPUC.

When the original IFA was drafted and executed in 2009 and first amended in 2010, neither SCE nor RPU foresaw the many complications associated with the environmental, licensing, permitting, and approval processes necessary to secure the CPCN. Schedule delays due to litigation, public opposition, multiple data requests and studies, significant design changes, and ever changing permitting and licensing requirements have all contributed to the overall cost increase of RTRP and the amount Riverside is required to advance to SCE to continue work on RTRP.

SCE has responded to over 60 Data Requests submitted both by the CPUC and interveners in the CPUC process.

To partially address the increasing costs, SCE and Riverside entered into the Second Amendment to the IFA increasing the amount of the IFA by \$1,500,000, from \$8,820,000 to \$10,320,000. SCE had exhausted the \$8,820,000 on the licensing and permitting activities related to the ISO controlled facilities and requested an additional \$1,500,000 to continue work on RTRP while SCE and RPU reviewed and updated the IFA Facilities Cost and Payment Schedule. Since then, RPU and SCE identified monies spent and monies needed by SCE to complete the project.

Based on SCE's most recent and accurate cost estimates, the proposed Third Amendment to the IFA re-baselines the Facilities Cost and Payment Schedule as summarized in Table 1 below.

	Table 1: "Exhibit B – Facilities Cost" and "Exhibit C – Payment Schedule"				
	Second Amendment		Third Amendment		
	Existing IFA (A)	Amount Paid to SCE by RPU (B)	Proposed IFA (C)	Difference Between Proposed and Existing IFA's (C) - (A)	Proposed Amount Due SCE by RPU (C) - (B)
Reimbursable Cost of ISO Controlled Facilities	\$3,160,000.00	\$10,320,000.00	\$15,439,000.00	\$12,279,000.00	\$5,119,000.00
Non-Reimbursable SCE Interconnection Facilities Cost "Riverside Facilities"	\$6,000,000.00	\$0 (Payments due following CPUC approval)	\$10,597,912.00	\$4,597,912.00	\$10,597,912.00 (Payments due following CPUC approval)
Non-Reimbursable SCE Interconnection Facilities One- Time Cost	\$1,160,000.00	\$0 (Payments due following CPUC approval)	\$2,794,000.00	\$1,634,000.00	\$2,794,000.00 (Payments due following CPUC approval)
Non-Reimbursable SCE Interconnection Facilities ITCC (tax)	\$2,036,300.00	\$0 (Payments due following CPUC approval)	\$2,543,498.88	\$507,198.88	\$2,543,498.88 (Payments due following CPUC approval)
TOTALS	\$12,356,300.00	\$10,320,000.00	\$31,374,410.88	\$19,018,110.88	\$21,054,410.88

As shown in Table 1, the Second Amendment to the IFA was approved with a total cost of \$12,356,300. Based on the most recent and accurate cost estimates, the proposed Third Amendment to the IFA will increase the cost by \$19,018,110.88 for a total cost of \$31,374,410.88.

Reimbursable Costs:

Riverside has advanced \$10,320,000 to SCE for the licensing and permitting of the ISO controlled facilities. As of August 31, 2018, SCE spent \$854,844 over and above that amount and estimates it will need an

additional \$4,264,156 to complete the task. This equates to an additional payment of \$5,119,000 to SCE for a total cost of \$15,439,000 for the licensing and permitting of the ISO controlled facilities. Upon issuance of the CPCN, the entire \$15,439,000 is reimbursable to RPU by SCE.

Riverside must also advance the cost of work performed by Riverside related to the ISO controlled facilities separate from the payment schedule identified in the IFA. Pursuant to the IFA, the cost of work performed by Riverside related to the ISO controlled facilities is reimbursable to RPU by SCE. As of August 31, 2018, Riverside expended \$5,878,823 related to the ISO controlled facilities and estimates it will spend an additional \$2,353,312 to complete that task for a total amount of \$8,232,135. That total cost for work performed by Riverside of \$8,232,135, combined with the \$15,439,000 Cost of the ISO Controlled Facilities, is \$23,671,135. That entire amount is subject to reimbursement by SCE following issuance of the CPCN.

Non-Reimbursable Costs:

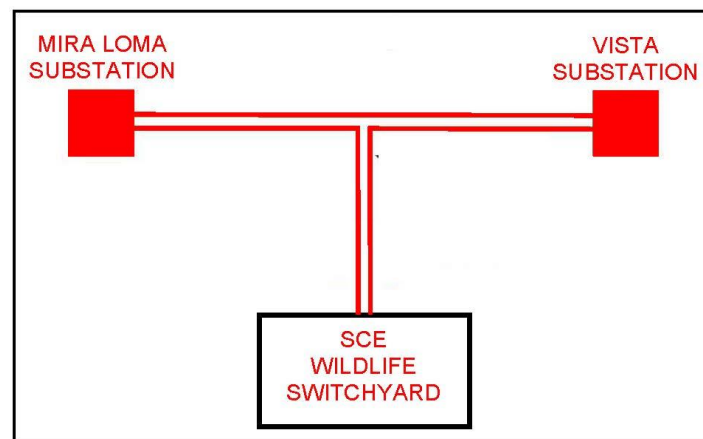
In addition to the reimbursable costs, there are the non-reimbursable costs. Riverside is responsible for the entire cost of the Riverside Facilities and SCE's Interconnection Facilities including the non-reimbursable payments to be made to SCE for the SCE Interconnection Facilities Cost and the SCE Interconnection Facilities One-Time Cost. Riverside is also responsible for the non-reimbursable payments to SCE for the SCE Interconnection Facilities ITCC (tax). The tax is applied to the SCE Interconnection Facilities Cost and SCE Interconnection Facilities One-Time Cost payments.

The non-reimbursable costs cited in the Second Amendment to the IFA are based on a 2008 SCE estimate.

Since then, SCE revised the design of its Wildlife Switchyard including the facilities serving Riverside and the related interconnection facilities. The revised design incorporates SCE's most current design elements and standards. The revised estimate reflects the best available information to date. The proposed Third Amendment to the IFA increases the non-reimbursable estimated cost by \$6,739,110.88 from \$9,196,300 to \$15,935,410.88. The non-reimbursable payments are not due until after the CPUC issues a CPCN.

DISCUSSION:

Although the estimated cost of RTRP has increased due to the complexity of the project, the monies spent by SCE to date are directly related to its cost of the licensing and permitting activities related to the ISO controlled facilities. SCE has not spent any money on the Riverside Facilities or the SCE Interconnection Facilities and is not expected to do so until after the CPUC issues the CPCN. Staff will work closely with SCE to validate costs and mitigate potential cost increases.



ISO Controlled Facilities

Finally, although the estimated cost of the ISO controlled facilities for RTRP has increased from the \$49,259,419 cited in the original 2009 IFA to the current estimate of \$405 million, SCE is entirely responsible for the cost of ISO Controlled Facilities. SCE will ultimately recover its ISO Controlled Facilities

cost for RTRP from all users of ISO transmission grid under transmission rates approved by the FERC. Riverside will pay indirectly for the ISO Controlled Facilities costs for RTRP as any ISO transmission users would.

FISCAL IMPACT:

The proposed Third Amendment to the IFA will increase the Agreement by \$19,018,110.88 making the total fiscal impact of the IFA, upon approval of the Third Amendment, \$31,374,410.88. To date, RPU has made payments to SCE totaling \$10,320,000. Remaining payments, based on the proposed Third Amendment, will total \$21,054,410.88. Upon Issuance of the CPCN, SCE will reimburse RPU in the amount of \$23,671,135 for costs associated with the agreement.

An additional expense for the work order in the amount of \$5,119,000.00 is required for a payment to SCE for the additional costs associated with the licensing and permitting of the ISO controlled facilities and is subject to reimbursement by SCE (already included in the total fiscal impact and reimbursement total noted above). Sufficient funds are available in Public Utilities' Electrical Capital Account No. 6130000-470686 (reimbursable account).

The balance of \$15,935,410.88 reflects the amount due SCE for the SCE Interconnection Facilities Cost, the SCE Interconnection Facilities One-Time Cost, and the SCE Interconnection Facilities ITCC. These non-reimbursable payments are not due until after the CPUC issues the CPCN. Staff will return to the Board prior to that time to seek authorization to make these payments, and if approved, sufficient funds will be available in the Public Utilities' Electrical Capital Account No. 6130000-470685 (non-reimbursable account).

Prepared by: George R. Hanson, Utilities Assistant General Manager/Energy Delivery
Approved by: Todd L. Jorgenson, Interim Utilities General Manager
Approved by: Al Zelinka, FAICP, City Manager
Approved as to form: Gary G. Geuss, City Attorney

Certifies availability
of funds: Aileen Ma, Interim Utilities Assistant General Manager/Finance & Administration

Attachments:

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

Site Map - Transmission Route

