

# RIVERSIDE PUBLIC UTILITIES

## Board Memorandum

**BOARD OF PUBLIC UTILITIES**

**DATE:** MARCH 9, 2020

**ITEM NO:** 10

**SUBJECT:** JOINDER AGREEMENT BETWEEN SOUTHERN CALIFORNIA EDISON, AS PROGRAM ADMINISTRATOR, AND CITY OF RIVERSIDE FOR PARTICIPATION IN AND IMPLEMENTATION OF REQUIRED CLEAN FUEL REWARD PROGRAM WITH AN INITIAL CONTRIBUTION FOR PROGRAM START-UP IN AN AMOUNT NOT TO EXCEED \$168,485 AND A REQUIRED ANNUAL CONTRIBUTION EQUAL TO A SPECIFIED PERCENTAGE OF VALUE OF MONTETIZED BASE CREDITS AS REQUIRED BY STATE REGULATION AND ESTIMATED IN THE AMOUNT OF \$200,000 FOR FISCAL YEAR 2019/20, TO BE PAID UNTIL TERMINATION AS SET FORTH IN AGREEMENT – INCREASE IN REVENUE IN ESTIMATED AMOUNT OF \$1,080,000 AND SUPPLEMENTAL APPROPRIATION IN THE AMOUNT OF \$370,000

**ISSUES:**

Recommend that the City Council approve the Joinder Agreement between Southern California Edison, as the Program Administrator, and the City of Riverside for participation in and implementation of the required Clean Fuel Reward Program, until the program or the Agreement are terminated as set forth in the Agreement, with an initial contribution for Program start-up in an amount not to exceed \$168,485 and a required annual contribution equal to a specified percentage of the value received from the sale of Low Carbon Fuel Standard credits for electric vehicle charging as required by state regulation and estimated in the amount of \$200,000 for Fiscal Year 2019/20; authorize an increase in estimated revenue in the amount of \$1,080,000 for the sale of Low Carbon Fuel Standard credits for Fiscal Year 2019/20, for a total estimated revenue of \$1,200,000, and an increase in appropriate expenditures in the amount of \$370,000.

**RECOMMENDATIONS:**

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

1. Approve the Joinder Agreement between Southern California Edison, as the Program Administrator, and the City of Riverside for participation in and implementation of the required Clean Fuel Reward Program, until the program or the Agreement are terminated as set forth in the Agreement, with an initial contribution for Program start-up in an amount not to exceed \$168,485 and a required annual contribution equal to a specified percentage of the value received from the sale of Low Carbon Fuel Standard credits for electric vehicle charging as required by state regulation and estimated in the amount of \$200,000 for Fiscal Year 2019/20;
2. Authorize the City Manager, or designee, to execute the Joinder Agreement to the Clean Fuel Reward Program Governance Agreement and take all necessary actions required, or advisable to implement, administer, fund, and carry out the City of Riverside's responsibilities under the Joinder Agreement; including the ability to make non-substantive changes, as well as to execute future amendments to the Joinder Agreement or the Clean Fuel Reward Program Governance Agreement under substantially similar terms and conditions; and

3. Authorize an increase in estimated revenue in the amount of \$1,080,000 for the sale of Low Carbon Fuel Standard credits for Fiscal Year 2019/20 in the Electric Fund Low Carbon Fuel Credits Sales Revenue Account, increasing the total revenue to \$1,200,000, and an increase in appropriate expenditures in the amount of \$370,000 to the Electric Fund Power Resources Clean Fuel Reward Expenditure Account for the transfer of funds required for the Program start-up and annual contribution for Fiscal Year 2019/20.

### **LEGISLATIVE HISTORY:**

The Low Carbon Fuel Standard (LCFS) Program is one of a number of programs established by the State of California and the California Air Resources Board (CARB) for the purposes of reducing statewide greenhouse (GHG) emissions to 1990 levels by 2020 and further reducing emissions to 40% below 1990 levels by 2030. These goals were put in place by the California Global Warming Solutions Act of 2006 (Assembly Bill 32 or “AB 32”) and the Clean Energy and Pollution Reduction Act of 2015 (Senate Bill 350 or “SB 350”), respectively. The goal of the LCFS Program is to achieve a 20% reduction in the carbon intensity of transportation fuels by 2030.

Amendments to the regulation in 2018, among other changes, required electric distribution utilities that have opted into the program and that are receiving credits for the estimated residential electric vehicle charging to develop a statewide point-of-purchase rebate program. Utilities that do not participate in this program are not eligible to receive the credits from residential charging.

In addition to developing the point-of-purchase program, the amendments require that utilities that meet this requirement also contribute a minimum percentage of their credits from residential charging, called base credits, to the point-of-purchase program. Riverside Public Utility’s (RPU) contribution percentage for 2019 through 2022 is 20% of the base credits and for all years beginning in 2023, is 25% of the base credits. The utility retains the remaining percentage of credits to spend on program that benefit current and future EV customers. Base credits comprise the majority of LCFS credits received by utilities.

### **BACKGROUND:**

On March 13, 2018, the City Council authorized RPU to opt into the LCFS Program. Since that time, RPU has received LCFS base credits and anticipates monetizing these credits in Spring 2020 with a launch of transportation electrification programs at the start of fiscal year 2020/2021. Currently there are estimated to be about 2,500 electric vehicles in the City of Riverside and about 150 electric vehicle charging stations.

These programs are anticipated to include support to increase the number of available charging stations for the public and at workplaces, support for charging stations at multi-family housing, support for infrastructure to serve medium and heavy-duty electric vehicles, and educational programs and events.

### **DISCUSSION:**

As noted above, RPU is required to participate in the statewide point-of-purchase program in order to continue to receive the base credits available to utilities. The point-of-purchase program being developed by the utilities statewide is the Clean Fuel Reward (CFR) Program. The program will be administered on behalf of all participating utilities by Southern California Edison (SCE).

To participate in the CFR program as required by the regulation, all electric utilities in the LCFS program must agree to be bound by CFR Program Governance Agreement (CFR Agreement) by signing the Joinder Agreement. The CFR Agreement includes the five (5) largest utilities in the state including SCE, Pacific Gas and Electric (PG&E), San Diego Gas and Electric (SDG&E), Los Angeles Department of Water and Power (LADWP), and Sacramento Municipal Utility District (SMUD). RPU and all other electric utilities are required to sign the Joinder Agreement with SCE, as the program administrator, that incorporates all of

the terms and conditions of the full CFR Agreement.

Under the agreement, RPU is required to transfer funds from monetized LCFS residential base credits. An initial contribution of \$168,485 is required for the program start-up in addition to ongoing annual transfers of funds as required by the regulation. The annual transfer of funds will be based on the requirements of the state regulation and will remain in effect until either the California Air Resources Board (CARB) terminates the CARB-authorized and endorsed CFR Program or there is a unanimous approval of the termination of the Agreement by all Members of the Steering Committee.

Currently the regulation requires that 20% of the value of monetized based credits be transferred annually for the program. This is anticipated to be approximately \$200,000 for credits received in 2019. The annual transfer of funds, or annual contribution, plus the initial contribution required for the program start-up equals approximately \$370,00 for Fiscal Year 2019/20. However, the calculation could change and the annual transfer of funds is expected to increase in subsequent years as the number of EVs increase. Actual amounts are dependent on the number of credits that RPU receives, the calculation regulated by the state, and the value of credits at the time the credits are sold.

Funds transferred pursuant to the regulation and the CFR agreement will be used to pay for the CFR program rebates to customers who purchase a new electric vehicle from any participating California auto dealership as well as the associated costs for the program including administration, program implementation contractors, program marketing and customer education that supports the advancement of EVs in California.

The CFR Agreement lays out the terms and conditions for utilities and the Program's administration. Both a Steering Committee and an Advisory Committee will be established to oversee and advise the program's implementation. The Steering Committee will be comprised of representatives from participating utilities and will be responsible for CFR Program oversight. The Advisory Committee will be comprised of a broad range of stakeholders including auto makers, auto dealers and their representatives, low-income and disadvantaged community representatives, and other interested parties. The intent of the Advisory Committee is to solicit feedback from actively engaged stakeholders on the CFR Programs launch, administration, and deployment.

The main components of the CFR Agreement include:

- Governance – The CFR Program will be governed by a nine-member Steering Committee comprised of seven (7) members with voting rights and two (2) non-voting members. Membership will include:
  - Five (5) of the voting members will be representatives from the five (5) largest statewide utilities.
  - Two (2) voting members will be representatives from the medium and small electric utilities (one each from Northern and Southern utilities).
  - One (1) non-voting seat each from the California Air Resources Board and the Program Administrator.
- Program administration – The CFR Program will be administered either by an electric utility that volunteers to serve in the role or by a third party. For the initial start of the CFR Program, SCE has been authorized by the California Public Utilities Commission to serve as the Program Administrator for the initial three years. They will solicit third-party contractors to perform the various functions of the program including, but not limited to, a program implementer, a financial institution, and an independent program auditor.
- Deposit accounts and liability – Provisions for deposit only accounts are outlined and must be established to receive and hold funds from the participating electric utilities. As noted above, the

funds will be used to provide a point-of-purchase rebate to buyers of a new electric vehicle as well as pay all administrative costs including costs for the third-party contractors, insurance, liability reserves, and other CFR Program costs and/or liabilities.

RPU's customers will have access to these new electric vehicle rebates regardless of where in California they purchase a new electric vehicle. By participating in the CFR agreement, RPU will retain the ability to utilize the remaining revenue from the sale of LCFS credits for the benefit of existing and future electric vehicle owners.

### **FISCAL IMPACT:**

The approval of the Rejoinder Agreement will increase estimated revenue by \$1,080,000 and require an expenditure of approximately \$370,000 for a net revenue increase of approximately \$710,000 for Fiscal Year 2019/20. These funds are legally restricted and can only be used for applicable expenditures under State requirements.

Upon approval, an increase will be made to estimated revenue in the amount of \$1,080,000 for the sale of Low Carbon Fuel Standard credits for FY 2019/20 in the Electric Fund Low Carbon Fuel Credits Sales Revenue Account No. 000510-344514, increasing the estimated total Fiscal Year 2019/20 revenue to \$1,200,000. An increase in appropriate expenditures in the amount of \$370,000 will be made to the Electric Fund Power Resources Clean Fuel Reward Expenditure Account No. 6120000-456098.

Therefore, sufficient funds for the payment of \$370,000 will be available in the Electric Fund Power Resources Clean Fuel Reward Expenditure Account No. 6120000-456098.

RPU anticipates requesting an appropriation for the remaining Fiscal Year 2019/20 net revenue of \$830,000 as transportation electrification programs complying with State requirements are developed.

Funding for future years will be included as part of the biennial budget process and will be subject to the funding received from the sale of LCFS credits. Based on today's LCFS credit market, net revenue received could be between \$600,000 and \$700,000 per year.

Prepared by:	Daniel E. Garcia, Utilities Deputy General Manager
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Approved by:	Al Zelinka, FAICP, City Manager
Approved as to form:	Gary G. Geuss, City Attorney

Certifies availability of funds:	Brian Seinturier, Utilities Fiscal Manager
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### Attachments:

1. Clean Fuel Reward Program Governance Agreement
2. Joinder Agreement
3. Presentation