



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: MAY 18, 2021

FROM: PUBLIC UTILITIES DEPARTMENT WARDS: ALL

SUBJECT: GRANT APPLICATIONS TO THE CALIFORNIA PUBLIC UTILITIES COMMISSION'S SELF-GENERATION INCENTIVE PROGRAM IN THE ESTIMATED AMOUNT OF \$3,722,000 WITH NO MATCHING FUNDS REQUIRED; AND AGREEMENTS FOR BATTERY STORAGE SYSTEMS AT THREE WATER PRODUCTION AND TREATMENT SITE LOCATIONS

ISSUE:

Authorize applications for grants from the California Public Utilities Commission's Self Generation Incentive Program and approve three agreements with Tesla Inc. to facilitate battery installation, operation, and maintenance; and authorize the City Manager or his designee, to execute three agreements with Tesla Inc., including any amendments.

RECOMMENDATIONS:

That the City Council:

1. Authorize grant applications for grants from the California Public Utilities Commission's Self-Generation Incentive Program for battery storage systems in the estimated amount of \$3,722,000;
2. Authorize the City Manager, or his designee, to accept the amount awarded, including amounts lesser or greater than the amount applied for, and execute all grant documents including making minor and non-substantive changes to the documents associated with the grant;
3. Upon receipt of the grant award, authorize the Chief Financial Officer, or his designee, to record and increase and expenditures in the amount equal to the grant award, in the Public Utilities Electric Fund, revenue and expenditure accounts;
4. Approve three Energy Products Purchase Agreements, and Energy Products Operation and Maintenance Agreements for battery storage systems with Tesla, Inc. for: Gage 31-R Well, Gage 92-3 Well, and Tippecanoe Water Treatment Plant, respectively; and
5. Authorize the City Manager, or his designee, to execute the three agreements with Tesla Inc., including any amendments required for purchase, installations and continued

operation of the battery storage systems.

BOARD RECOMMENDATION:

This report published on May 6, 2021 for the City Council meeting on May 18, 2021.

The Board of Public Utilities is scheduled to consider this item on May 10, 2021 for recommendation to the City Council to approve this grant opportunity and the Agreements with Tesla, Inc. If the Board approves to forward this to City Council, we respectfully request the City Council consider this item at the May 18, 2021 City Council meeting.

BACKGROUND:

Several of the City of Riverside Public Utilities' (RPU) water supply facilities are located outside the City boundary and are served electricity by Southern California Edison (SCE). This region is at risk of Public Safety Power Shutoff (PSPS) events and several of the power circuits feeding RPU facilities are often placed on notice for potential shut-off. Battery energy storage systems provide resiliency to facilities by providing them with a power source during an electrical disruption. In the case of a PSPS or other outage event, backup power is essential for critical RPU facilities to continue to operate.

DISCUSSION:

Self-Generation Incentive Program

The California Public Utilities Commission's (CPUC) Self-Generation Incentive Program (SGIP) promotes the use of energy storage through incentives to install battery storage systems to a customer's utility. In preparation for the next wildfire season, CPUC is funding more than \$1 billion in SGIP that prioritizes communities living in high fire-threat areas and low-income and disadvantaged communities.

RPU understands that it may qualify for a grant in the form of a rebate under the Equity Resiliency Incentive Program, which covers 100% of the costs of battery backup systems, including capital and operations. The criteria are as follows:

1. Facilities are located in a High Fire Threat District
2. Facilities are deemed critical
3. Facilities serve a disadvantaged or low-income community in a High Fire Threat District

The application fee for this program is \$600. The funding is distributed on a first-come, first-serve basis and the program will continue until funds are exhausted.

Energy Products Purchase Agreements

In coordination with the City's Purchasing Division, RPU sought project partners for a turnkey backup battery storage solution for its three water supply sites through the market process via a

Request for Proposals (RFP # WOP2021-01). Three companies were invited to participate: Engie Energy Services US Inc. (Engie), Stem Inc. (Stem) and Tesla Inc. (Tesla). RPU staff received two proposals as Stem declined. A summary of the two proposals is provided in the following table:

Items	Engie	Tesla
Battery Installation Costs	\$5,380,000	\$2,726,057
SGIP Incentives	-\$4,000,000	-\$3,722,000
Battery Installation Costs to RPU	\$1,380,000	\$0
Ten-Year Operations & Maintenance Costs to RPU	\$775,000	\$0
Total Project Cost to RPU	\$2,155,000	\$0

In addition to being highly qualified, Tesla’s battery solution is essentially no cost to RPU due to additional incentives offered through the Self Generation Incentive Program (SGIP). All SGIP incentive funding received will go directly to Tesla, and any additional funding beyond the cost of battery installation will be used to operate and maintain the batteries for 10 years. RPU will own the battery system and Tesla will be responsible for operating and maintaining the batteries and associated appurtenances for 10 years. Tesla’s proposal includes the entire cost of installation and 10 years of operations and maintenance.

The agreements with Tesla are contingent on the receipt of SGIP incentive funding. If the SGIP incentive funding is not received, the project and Agreements with Tesla will be discontinued and RPU would not be required to pay for the cost of the project.

The project breakdown is as follows:

Facility	kW	kWh	Fully Charged Backup Power Duration	Avg. Backup Power Duration	Project Construction Cost	Incentive from SGIP Grant
Tippecanoe WTP 1271 S Tippecanoe Ave, San Bernardino, CA 92408	350	2,088	10	5	\$1,227,151	\$1,722,000
Gage 92-3 Well 1700 Central Ave, San Bernardino, CA 92408	210	1,160	13	6.5	\$749,453	\$1,000,000
Gage 31-R Well 1501 Central Ave, San Bernardino, CA 92408	210	1,160	11	5.5	\$749,453	\$1,000,000
Totals	770	4,408			\$2,726,057	\$3,722,000

This project aligns with City Strategic Plan 2025’s strategic priorities of sustainability and resiliency. The project will add resiliency to the water operation by installing backup power

batteries at three critical water supply facilities. The operation of battery power is substantially cleaner than the alternative solution of operating of diesel-powered generators.

The Purchasing Manager concurs that the recommended actions follow Purchasing Resolution No. 23256.

FISCAL IMPACT:

Each agreement (site) requires a \$200 SGIP grant program application fee to be paid to California Public Utilities Commission for a total fiscal impact of \$600. Sufficient funds are available in the Public Utilities Water CIP Facility Rehabilitation Account No. 6230000-470803.

The SGIP grant value is estimated to be \$3,722,000 and will offset all project costs. No matching funds are required. All SGIP incentive funding received will go directly to Tesla and any additional funding beyond the cost of battery installation will be used to operate and maintain the batteries for 10 years. If grant funding is not received, the project will be discontinued and RPU would not be required to pay for the project costs.

Prepared by: Todd M. Corbin, Utilities General Manager
Certified as to
availability of funds: Edward Enriquez, Chief Financial Officer/Treasurer
Approved by: Al Zelinka, FAICP, City Manager
Approved as to form: Kristi J. Smith, Interim City Attorney

Attachments:

1. Energy Products Purchase Agreement and the Energy Products Operation and Maintenance Agreement with Tesla Inc. for Gage 31-R, including the site grant application
2. Energy Products Purchase Agreement and the Energy Products Operation and Maintenance Agreement with Tesla Inc. for Gage 92-3, including the site grant application
3. Energy Products Purchase Agreement and the Energy Products Operation and Maintenance Agreement with Tesla Inc. for Tippecanoe WTP, including the site grant application
4. Draft Board Minutes
5. Presentation