



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JULY 20, 2021

FROM: PUBLIC UTILITIES DEPARTMENT WARDS: ALL

SUBJECT: GRANT APPLICATION TO THE CALIFORNIA PUBLIC UTILITIES COMMISSION'S SELF-GENERATION INCENTIVE PROGRAM IN THE ESTIMATED AMOUNT OF \$2,342,100 WITH NO MATCHING FUNDS REQUIRED; AND AGREEMENTS FOR BATTERY STORAGE SYSTEM AT THE JOHN W NORTH TREATMENT PLANT LOCATION

ISSUE:

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

RECOMMENDATIONS:

That the City Council:

1. Authorize application for a grant from the California Public Utilities Commission's Self-Generation Incentive Program for a battery storage system in the estimated amount of \$2,342,100;
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, with at least five affirmative votes of the members of the City Council, authorize the Chief Financial Officer, or his designee, to record and increase expenditures in the amount equal to the grant award, into the Public Utilities Water Fund, revenue and expenditure accounts;
4. Approve Energy Products Purchase Agreement, and Energy Products Operation and Maintenance Agreement for a battery storage system with Tesla, Inc. for John W North Treatment Plant; and
5. Authorize the City Manager, or his designee, to execute the agreements with Tesla Inc., including any amendments required for purchase, installation, and continued operation of the battery storage system.

BOARD RECOMMENDATION:

The Board of Public Utilities approved a similar grant opportunity and agreements at their May 10, 2021 Board meeting for other water facilities. Because of time constraints due to availability of grant funds, the Board was updated on this item at the June 28, 2021, but did not formally recommend that the City Council to approve this grant opportunity and the Agreements with Tesla, Inc.

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 events, 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 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 a project partner for a turnkey backup battery storage solution for its John W North Treatment Plant. In conformance with Purchasing Resolution 23256, Section 702(i), Tesla Inc. was selected as the project partner.

In addition to being highly qualified, Tesla's battery solution is essentially at no cost to RPU due to additional incentives offered through the 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 the installation and 10 years of operations

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	Project Construction Cost	Incentive from SGIP Grant
John W North Treatment Plant 22001 Grand Terrace Rd, Grand Terrace, CA 92313	572	3,080	13 Hours	\$1,683,058	\$2,342,100

This project aligns with the City's 2025 Strategic Plan's strategic priorities of sustainability and resiliency. The project will add resiliency to the water operation by installing backup power batteries at a critical water supply facility. The operation of battery power is substantially cleaner than the alternative solution of operating diesel-powered generators.

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

FISCAL IMPACT:

The fiscal impact of this recommendation is \$2,342,100. The SGIP grant value is estimated to be \$2,342,100 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. Agreements with Tesla Inc. for John W North TP, including the site grant application
2. Presentation