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People

CITY OF RIVERSIDE

CITY COUNCIL MEMORANDUM



HONORABLE MAYOR AND CITY COUNCIL

DATE: July 8, 2003

ITEM NO: 54

SUBJECT: RENEWABLES PORTFOLIO STANDARD

BACKGROUND:

The City of Riverside (City) must formally adopt a Renewable Power Portfolio Standard (RPS) to comply with Senate Bill 1078. SB 1078 expanded the Public Utilities Code to require Investor Owned Utilities (IOUs) to adhere to a legislated standard but enabled governing bodies of municipal utilities to determine their own RPS.

IOUs are required to obtain 20 percent of their power from renewable resources by 2017. However, the IOUs are only required to spend up to the total of their public benefit surcharge revenues on renewable resources. This amounts to 2.85 percent of each IOUs' customer charges. Large hydropower is excluded from the definition of renewable resources for the IOUs. Also, the IOU's are required to purchase their renewable energy from resources within California.

Riverside Public Utilities fails to see the logic in the exclusion of large hydropower, as it comes from existing facilities built to harness the power of water. Furthermore, Hoover Dam, a large hydropower facility of which Riverside is a long-term purchaser, only produces power when sufficient water can be released from the dam. Water management is the first priority of the Hoover Dam project; renewable power production is secondary. Also, the restriction to purchasing power within California only causes renewable energy prices to increase. Expanding resources to transmission interconnections throughout the western region allows Utilities to purchase environmentally sensitive renewable energy without being gouged by unreasonable market restrictions.

The City of Riverside Public Utilities Department (RPU) annually receives about \$5,000,000 of public benefits revenues. Riverside commits two-thirds of that amount to low income assistance, conservation programs and research projects. (Almost 3,000 low-income customers were assisted last year by this locally funded program.) Between \$1.5 million and \$1.75 million per year of Public Benefits Funds are already committed to supporting local renewable energy projects.

The philosophy is that renewable projects will be constructed within the City of Riverside and provide not only renewable energy, but also customer education and awareness. Renewable projects constructed, in development, or discussion include the Utilities Operations Center, La Sierra Metrolink Station, Autumn Ridge (Indiana) Apartments, Shamel Park, Islander Park, Hunt Park, the Casa Blanca Energy Demonstration Center, the City Hall 7th floor patio, another low-income housing project, Cal-Baptist University, and one in the Orangecrest area.

Currently, 12 percent of Riverside's retail energy requirements come from renewable resources. Most of these power purchases are funded directly from rates. The current renewable resource mix includes hydro, wind, landfill gas, photovoltaic, geothermal and green tags. The Utility spends \$12.8 million annually to reach that level. If large hydropower is included in Riverside's 2003 power portfolio, the level reaches 14.75 percent in renewable energy purchased and total costs are \$14.0 million. As can be seen, Riverside does not limit itself to the level of Public Benefits funds to reach the renewable commitment. RPU spends more than is

required by SB 1078, while still retaining rates significantly below the IOUs. One can see that Riverside is committed to renewables, or green power, by spending more than our Public Benefits funds.

The RPS proposes adopting a goal to reach a 20 percent level of renewable power in our energy portfolio by 2015, a more aggressive goal than that required of the IOUs. We will continue to report renewable efforts by presenting the "power content label" on the reverse side of the utility bill and on the web site. By statute, RPU does not include large hydro on the power content label, but it is cited in narrative form when room permits. Furthermore, this information is described in more detail in the annual Public Benefits Program report directly mailed to all customers each fall.

This policy will be reviewed bi-annually and revised as necessary. As always, Riverside Public Utilities will continue to strive for goals beyond what is minimally required to show the commitment to green power, while maintaining low rates, high power quality, and providing exceptional service.

This item was approved by the Board of Public Utilities at its regular meeting on June 6, 2003.

FISCAL IMPACT:

Renewable energy is usually more expensive than conventional resources. However, RPU has incorporated these costs into its long-term financial projections. Rates in Riverside, even with this level of renewable resources, should continue to be lower than rates in surrounding areas served by Southern California Edison. In addition, the RPS includes a limit that the addition of renewable energy resources will not cause systemwide rates to increase by over 5 percent from 2003 levels.

ALTERNATIVES:

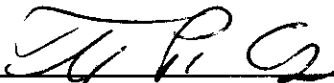
The City could choose not to adopt a Renewable Portfolio Standard but would then not be in compliance with state regulations. Or, a different RPS could be developed. However, since the RPS will be reviewed every two years, it can be adjusted as necessary to meet the needs of Riverside customers.

RECOMMENDATION:

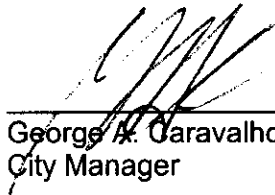
That the City Council adopt the Renewable Portfolio Standard proposed in this report.

Prepared by:

Approved by:




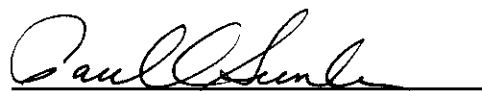
Thomas P. Evans
Public Utilities Director



George A. Carvalho
City Manager

Approved as to form:

Concurs with:


for Gregory P. Priamos
City Attorney
Paul C. Sundeen
Finance Director

TPE/DHW/lau

Attachments: Renewables Power Portfolio Standard
Board of Public Utilities minutes of June 6, 2003



RENEWABLE PORTFOLIO STANDARD

Deputy Director Dave Wright explained the purpose, the goal, the qualifying resources, reporting requirements, timing of long-term resource additions, and the system rate impact of renewable portfolio standard and answered questions from the Board members with the assistance of Principal Power Program/Contracts Administrator LeeAnne Uhler. Mr. Wright also stated that Riverside is the first municipal utility to adopt a renewable portfolio standard.

Board Member Conrad Newberry, Jr., P.E., requested clarity on the statement regarding rate impacts – Staff will adjust the language to meet the concern before it is sent to the City Council.

The Board of Public Utilities approved and recommended that the City Council adopt the Renewable Portfolio Standard proposed in the report.

Motion – Newberry, Jr., P.E. Second – Tavaglione.

Ayes: Newberry, Jr., P.E., Hubbard, Gipson, Tavaglione, Gage, and Anderson

Noes: None

Abstain: None

Absent: Lalit Acharya

SELECTION OF ENGINEERING CONSULTANTS FOR PLANNING, DESIGN, AND CONSTRUCTION MANAGEMENT OF THE RIVERSIDE CANAL REHABILITATION PROJECT

Principal Water Engineer Kevin Milligan gave the Public Utilities Board an updated presentation on the Riverside Canal project with photos of the canal where the rehabilitation is needed. Mr. Milligan informed the Board that staff wanted to add additional language to the RECOMMENDATION to state: "That the Board of Public Utilities approve and recommend that the City Council:

Approve the expenditure of \$1,067,439 for engineering services.

After questions were answered, the Board of Public Utilities approved and recommended that the City Council:

- 1) **Approve the expenditure of \$1,067,439 for engineering services;**
- 2) Award contracts for engineering services to CH2Mhill and Tettemer & Associates for the planning, design, and construction management of the Riverside Canal Rehabilitation Project at a total cost not-to-exceed \$857,439 and \$210,000, respectively;
- 3) Authorize the City Manager, or his designee, to execute the necessary contract documents; and
- 4) Authorize the Public Utilities Director, or his designee, to amend the

City of Riverside

Renewables Power Portfolio Standard (RPS)

Purpose:

This Renewables Power Portfolio Standard (RPS) represents Riverside Public Utilities' (RPU) commitment to renewable resource procurement consistent with the provisions of SB 1078 (2002), an act to add Sections 387, 390.1 and 399.25 to, and to add Article 16 (commencing with Section 399.11) to Chapter 2.3 of Part 1 of Division 1 of, the Public Utilities Code. SB 1078 provides that each governing body of a local publicly owned electric utility shall be responsible for implementing and enforcing a RPS that recognizes the intent of the Legislature to encourage renewable resources, while taking into consideration the effect of the standard on rates, reliability, and financial resources and the goal of environmental improvement.

Goal:

The public policy goal stated in the SB 1078 includes increasing California's reliance on renewable energy resources up to 20% to promote stable electricity prices, protect public health, improve environmental quality, stimulate sustainable economic development, create new employment opportunities, and reduce reliance on imported fuels.

In furtherance of SB 1078's expressed goal, RPU will increase its supply of electricity from "eligible" renewable resources until a target portfolio level of 20% is reached by December 31, 2015 ("Goal Target Date"), measured by the amount of energy procured for making retail sales of electricity. RPU's 2003 renewable resources baseline is equal to 14.75% of its retail energy needs comprised of resources including large hydro, which provides many of the tangible demonstrable benefits mentioned above. However, in the spirit of SB 1078, energy procurement from large hydro projects will be measured separately, therefore changing the 2003 baseline to 12%. By December 31, 2010, RPU will reach 15% and by December 31, 2015 will reach 20% eligible renewable resources contingent upon ongoing biannual reviews that address, but are not limited to, changes in RPU's power portfolio, changes in renewable energy technologies, legislative activities, and all other relevant issues.

Qualifying Resources:

Electricity produced from the following technologies constitute "eligible" renewable resources for purposes of this RPS: biomass, solar thermal, photovoltaic, wind, geothermal, fuel cells using renewable fuels, hydroelectric generation (including large hydro), digester gas, municipal solid waste, landfill gas, ocean wave, ocean thermal, tidal current, renewable components of system sales from other parties, green tags and renewable distributed generation on the customer side of the meter. Eligible renewable resources facilities can be located anywhere in the interconnected transmission system located in the west.

Reporting Requirements:

RPU will report annually to its customers (1) expenditures of Public Benefits funds collected for renewable energy resources development along with a description of programs, expenditures and expected or actual results, (2) the resource mix used to serve its retail customers by fuel type, including the contribution of each type of renewable energy resource through an annual Public Benefit Programs Report, and (3) total expenditures for renewable resources funded by Electric revenues due to ongoing support by our customer-owners for renewable power.

RPU will continue to provide a quarterly Power Content Label Report and Annual Report to its customers as required by SB 1305 (1997) to disclose information about energy resources used to generate retail electricity.

Timing of Long-Term Resource Additions:

Renewable resources will be procured to the extent they fulfill unmet needs identified in RPU's long-term resource procurement plan and RPU will not terminate, abrogate, or otherwise end any existing long-term non-renewable contract in order to meet the renewable target portion of its energy portfolio.

System Rate Impact:

The addition of renewable energy resources shall not cause RPU's system wide rates to increase by more than 5% from 2003 to the Goal Target Date.