



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: May 7, 2013

TO: Mayor and Councilmembers

FROM: Water Resources Division, Public Works Department

SUBJECT: Introduction Of Ordinance For Power Purchase Agreement

RECOMMENDATION:

That Council introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Authorizing the Execution and Delivery of a California Renewable Energy Small Tariff Agreement with Southern California Edison, Inc., for the Purpose of Selling Electricity Generated at the City's Conduit Hydroelectric Plant, and Authorizing Related Actions.

DISCUSSION:

The City owns a conduit hydroelectric power plant located near City's Cater Water Treatment Plant. The hydroelectric power plant receives water from the City's Gibraltar Dam and Reservoir that is delivered to Santa Barbara via the City's Mission Tunnel. Because the hydroelectric power plant uses the water at the end of the conduit piping water from the Gibraltar Reservoir, it is considered a conduit hydroelectric power plant. In 1985, the plant began producing electrical power, which was sold to Southern California Edison (SCE). The plant was idled in 1998, when it was determined that the project operation and maintenance costs, along with regulatory burdens, exceeded the income from power sales. Staff is currently working to bring the hydroelectric power plant back online.

The City is currently negotiating with the Bureau of Reclamation to purchase fee title to the land beneath the power plant.

In order for the City to sell and deliver power from the plant into SCE's power grid, the City needs to enter into a power purchase agreement. A "California Renewable Energy Small Tariff" (CREST) Agreement is a Power Purchase Agreement (PPA) which offers stable and favorable rates for the sale of the plant's power. Today's authorization is for the City to enter into a CREST PPA.

The California Public Utilities Commission has approved the replacement of the CREST program with a market-based pricing mechanism (Re-MAT). The new program is intended to “capture maximum value for ratepayers”, which will not offer the same sales price and term stability to the City that is offered by the CREST program. It is unknown when the Re-MAT program will be implemented; however, SCE staff has stated that this will happen in the near future and that, once it is implemented, the CREST PPAs will no longer be executed. Staff is hopeful that the City’s PPA can be approved while CREST PPAs are still being executed. The City can elect the term of the PPA, and staff recommends the maximum 20-year term, with projected power sales estimated at \$210,000 per year selected.

Copies of the CREST agreement are available for review by the public at the City Clerk’s Office and available to Councilmembers in the City Council’s reading file.

PREPARED BY: Rebecca Bjork, Water Resources Manager/RR/mh

SUBMITTED BY: Christine F. Andersen, Public Works Director

APPROVED BY: City Administrator’s Office