



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: July 2, 2013

TO: Mayor and Councilmembers

FROM: Water Resources Division, Public Works Department

SUBJECT: Introduction Of Ordinance Authorizing An Alternative Power Public Water And Wastewater Agency 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 Renewable and Alternative Power Public Water and Wastewater Agency 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 the 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. The hydroelectric power plant is considered a conduit hydroelectric power plant because it uses the water at the end of the conduit, piping water from the Gibraltar Reservoir.

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 in the process of purchasing 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. On May 7, 2013, Council authorized the Public Works Director to enter into a "California Renewable Energy Small Tariff" (CREST) Power Purchase Agreement (PPA). Since that time, SCE has been informed by the California Public Utilities Commission that the Renewable and Alternative Power Public Water And Wastewater Agency Agreement (Water Agreement)

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is the appropriate agreement for the City's project rather than the PPA. The terms of the Water Agreement are very similar to the PPA.

The California Public Utilities Commission has approved the replacement of both the Water Agreement and 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 or the Water Agreement. In order to enter into the Water Agreement, it must be executed by both parties no later than July 24, 2013. Staff is hopeful that the City's PPA can be approved while the Water Agreements are still being executed. The City can elect the term of the Water Agreement, and staff recommends the maximum 20-year term, with projected power sales estimated at \$210,000 per year selected.

BUDGET/FINANCIAL INFORMATION:

It is estimated that the hydroelectric plant revenue will be \$210,000 per year initially, and then decline to \$188,000 per year in future years, as Gibraltar reservoir fills with silt. Revenue from the sale of power to Southern California Edison will be income to the City's Water Fund.

Copies of the Water 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/mh

SUBMITTED BY: Christine F. Andersen, Public Works Director

APPROVED BY: City Administrator's Office