



STAFF REPORT
6/12/2024

TO: Honorable Mayor and City Council Members

FROM: Dr. Gabriel Martin, City Manager
Ryan Baron, City Attorney's Office, Best Best & Krieger, LLP

SUBJECT: Feasibility Study for Municipal Electric Service to the City's Development Area / Request for Proposals for a Public-Private Partnership for Implementation of the City's Municipal Electric Utility

STAFF RECOMMENDATION:

1. Receive and file feasibility study for municipal electric service to the City's development area.
2. Staff recommends that the City Council approve the issuance of a Request for Information and a Request for Proposals for a public-private partnership for implementation of the City's municipal electric utility within the City development area, including the Economic Development Zone.
3. Staff recommends that the City Council approve the issuance of a Request for Proposals for a valuation study of Imperial Irrigation District assets providing electric service to the developed portion of the City.

BACKGROUND:

The Coachella Valley is one of the fastest growing areas in California. The City of Coachella is projected to grow rapidly containing a number of large employers along with large-scale master planned development in greenfield areas of the City. The eastern portion of the Coachella Valley, including the City, is currently receiving electric service from the Imperial Irrigation District, which provides this service outside its territorial boundary of Imperial County. There remains significant areas of the Coachella Valley, and the City, however, that are not served, or cannot be served, by IID due a lack of electric infrastructure or a need to significantly upgrade the existing infrastructure in the area, such as the construction of new substations. The eastern Coachella Valley is growing rapidly but development has been hindered by the inability to provide electricity to this development, thereby impacting growth, employment, and fiscal revenue. Due to the lack of infrastructure throughout the City and that the City does not have any representation or governance options in IID electric service matters, the City has been interested in local control of its electricity service and providing such service to the City's undeveloped and under-served areas.

On July 31, 2019, the City Council adopted Resolution 2019-62 authorizing the creation of a limited municipally owned utility for the purpose of providing electrical utility services and authorized the taking of other actions. The Coachella City Council established the municipal utility to provide electric and gas service to certain new development and under-served development (*i.e.*, “greenfield” areas) within the City’s municipal boundaries. At that time, a service area for a municipal utility was established and the City Manager was authorized to take all necessary steps to create and establish the municipal utility and evaluate the areas and manner for providing utility service as a publicly owned utility. Since then, the City has been exploring various options to ensure that its residents and businesses receive utility services that meet the current and future needs of the community at fair and reasonable rates. The City has also been exploring options to ensure that such services are cost-effective, meet federal and state standards, provide high-quality customer service, and provide long-term reliability to meet City energy needs. The City has also participated in regional efforts to address the lack of service and governance, including its participation on the Coachella Valley Energy Commission, an advisory body to IID.

Since the adoption of Resolution No. 2019-62, City staff has researched the legal options of implementing the municipal utility and has conducted a feasibility study to assess the financial and technical issues of establishing an electric delivery system to greenfield areas of the City also referred to as the Development Area. This Development Area includes the Economic Development Zone, which consists of the Auto-Wrecking Zone and Industrial Zone, where initial load is projected to increase rapidly due to prospective and cannabis and industrial interests. The feasibility study was prepared by EES Consulting who has prepared numerous municipalization feasibility studies throughout the nation, including a study in the 2000s for the Coachella Valley Association of Governments. The study concludes that service to the economic development zone and the greenfield areas of the City is feasible and beneficial to City electric customers when growth occurs in those areas. The study uses certain data and forecasts the City’s 20-year energy needs. It also projects revenue and rate requirements and outlines where the construction of new electrical infrastructure is required, including the construction of two new substations and transmission, as well as potential wheeling of energy over IID’s existing transmission in order to serve initial municipal utility load.

DISCUSSION/ANALYSIS:

The study makes the following observations:

Considerations	
Access to IID Capacity	Initial plan is to use capacity from IID’s 92kV transmission. If access is denied, accelerate SCE interconnection.
Load Growth Risk	Break-even threshold is 55,000 MWh with annual 5% IID rate increases.
Change in Load Mix	Cannabis is High Density Energy Needs 100-200 kWh/sq.ft. Traditional Industrial/Commercial 8-50 kWh/sq.ft. Even with

	reductions in high density load, the City could likely achieve breakeven sales threshold of 55,000 MWh.
New Municipal Utility	IID can challenge new utility. Limiting to greenspace-only rather than acquisition of IID customers does not eliminate the uncertainty.
Initial Financing	\$67.3 M
RPS Requirements	Purchase from interconnection with IID or SCE.
Customer Funded Distribution Lines	Customers will need to contribute 100% for distribution facilities to serve new load.
Reliability	Transmission feed radial is a weak point.
Resource Adequacy	City must rely on bilateral transactions for RA subject to price risk.

The study provides the following options as Phase 2 steps the City can take with respect to implementing a municipal utility:

1. Consider moving forward with a request for proposals for power supply and/or a turnkey developer to implement the municipal utility in the Development Area.
2. Explore valuation and acquisition of IID assets that currently serve the City.

City staff recommends that the City move forward with issuing requests for proposals based on the two options. In order to begin providing service to the Development Area of the City, the City would need to consider constructing certain electric delivery system facilities and generation facilities and/or purchasing electricity through an energy services agreement and wheeling the energy over IID transmission system. Due to the bond issuance that would be needed to finance the facilities, City staff contemplates issuing a request for information for a developer to construct and own the facilities through a public-private partnership agreement that would jump-start the municipal utility. The request for information would be sent potential energy developers and suppliers nationwide requesting a statement of interest and qualifications from companies on the proposed P3 project. Eligible companies would then be pre-qualified by the City and would receive a request for proposals detailing the specific proposal and cost information. A slate of candidates would then be brought back from City Council review and direction to negotiate a contract.

City staff also recommends, in parallel, that the city conduct a valuation of IID’s infrastructure serving the city as a necessary step in acquiring IID electrical infrastructure to take over service to existing customers over the long-term. City staff would issue a request for proposals for a consultant to conduct the valuation study.

ENVIRONMENTAL ASSESSMENT:

The recommended actions are exempt from the California Environmental Quality Act. The issuance of a RFP does not constitute a project within the meaning of the CEQA Guidelines, Section 15061(b)(3), as it does not result in any direct or indirect physical change in the environment.

ALTERNATIVE(s):

1. Not approve RFP for P3 partnership and provide Staff with new direction

FISCAL IMPACT:

There is no fiscal impact for this item.

EXHIBIT(S):

- A. Feasibility Study for Municipal Electric Service to the Development Area