



## CITY OF BANNING STAFF REPORT

**TO:** CITY COUNCIL

**FROM:** Arturo Vela, Interim City Manager

**PREPARED BY:** Jim Steffens, Power Resources Manager  
Fred Lyn, Deputy Electric Utility Director

**MEETING DATE:** January 13, 2026

**SUBJECT:** Consideration of Resolution 2026-02, Approving a Western Systems Power Pool Confirmation Letter Agreement with the City of Vernon for the Purchase of Thirteen Megawatts of Local / Flexible Resource Adequacy Capacity for Calendar Years 2027 through 2029 at a Cost of \$8.25 per Kilowatt-month, or \$1,287,000 Per Year.

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### **RECOMMENDATION:**

Approve Resolution 2026-02

### **BACKGROUND:**

After the 2000-2001 California energy crisis, the California Independent System Operator ("CAISO") developed market modifications to ensure that all Load Serving Entities ("LSE"), including the City of Banning's Electric Utility ("Utility" or "BEU"), have acquired sufficient energy capacity ("Resource Adequacy" or "RA") to serve their peak demand. The CAISO determined that each LSE must maintain capacity reserves of at least 15% above its projected peak demand and the CAISO implemented policy changes to ensure that these capacity reserves are procured by each LSE and are available to meet the 115% of projected demand. Additionally, the CAISO requires that a specified amount of each LSE's total RA be from local generating resources ("Local RA"), as defined by the CAISO. For BEU, a generating resource must be located in the greater Los Angeles Basin to qualify as Local RA. Lastly, the CAISO requires that a specified amount of each LSE's total RA be fast ramping ("Flexible RA"), as defined by the CAISO. Fast ramping means that the generating facility can be turned on very quickly and can begin producing electricity on very short notice.

In order to meet both of the CAISO's Local RA and Flexible RA requirements, in December of 2020 the Utility entered into a five-year agreement with NRG Power Marketing LLC to purchase thirteen (13) megawatts of RA that qualified as both Local RA and Flexible RA. The cost of this RA was \$7.50 per kilowatt-month, and the agreement was effective from January 1, 2022 to December 31, 2026. This five-year agreement turned out to be very fortuitous for the Utility, as the RA markets went through a period of extreme upward volatility from 2022 to 2024.

### **JUSTIFICATION:**

Although BEU's current RA agreement doesn't expire until December 31, 2026, the Utility began looking for a successor agreement early because there is a scarcity of generating resources that qualify as both Local RA and Flexible RA.

On September 30, 2025, the Utility sent out a solicitation to over forty (40) participants in the RA markets (a combination of energy companies and utilities who own their own generating resources, as well as RA

brokers) requesting for offers to sell thirteen (13) megawatts of Local RA that also qualified as Flexible RA under a three to five year agreement. The Utility received two offers in response to our solicitation, with the City of Vernon responding with the lowest and most responsible bid of a three-year offer at a price of \$8.25 per kilowatt-month.

Given the scarcity of Local RA / Flexible RA and the competitive price offered by the City of Vernon, the Utility desires to move forward with the three-year agreement with the City of Vernon. The \$0.75 increase in the price compared to our current five-year deal will slightly increase our capacity expense starting in calendar year 2027. However, the Utility believes that this is a reasonable increase given the inflation rates that have occurred since the current RA agreement was entered into five years ago.

**FISCAL IMPACT:**

The cost of this transaction is \$8.25 per kilowatt-month, for an annual cost of \$1,287,000 over the three-year contract period. Because the cost of the current five-year agreement is \$7.50 per kilowatt-month, or \$1,170,000 per year, this new replacement agreement will result in an annual increased cost of \$117,000 starting in calendar year 2027.

The purchase of RA is an ongoing operating expense, and funds have been allocated in BEU's Capacity Expenditure Budget line item (Fund 670-7010-473.27-50).

**ALTERNATIVES:**

Do not approve Resolution 2026-02 and provide alternative direction to staff.

**BUDGETED?:**

Yes

**CONTRACT/AGREEMENT:**

Yes

**ATTACHMENTS:**

1. [2026-02 Resolution Local-Flexible Resource Adequacy.docx](#)
2. [Resolution 2026-02 Exhibit A.pdf](#)