

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: July 2, 2010

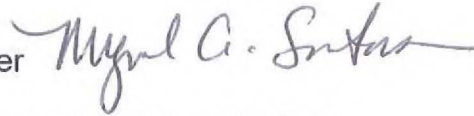
CAO File No. 0150-09362-0000

Council File No. None

Council District: None

To: The Mayor
The City Council

From: Miguel A. Santana, City Administrative Officer



Reference: Letter from the Department of Water and Power dated June 2, 2010

Subject: **SMART GRID DEMONSTRATION COOPERATIVE PROJECT AGREEMENT WITH THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION, THE UNIVERSITY OF CALIFORNIA LOS ANGELES AND THE UNIVERSITY OF SOUTHERN CALIFORNIA**

SUMMARY

The Department of Water and Power (DWP) requests approval of the Board of Water and Power Commission's (Board) Resolution No. 010-345, which authorizes the Department of Water and Power (DWP) to collaborate with the National Aeronautics and Space Administration/Jet Propulsion Laboratory (JPL), the University of California Los Angeles (UCLA) and the University of Southern California (USC) in a Smart Grid Demonstration Cooperative Project (Smart Grid) Agreement grant awarded to DWP by the Federal Government. The Smart Grid refers to the overlay of computer technology or other advanced digital technology onto the electric power grid that enables customers to use energy efficiently. This Grant was awarded to DWP under the Federal economic stimulus package known as the American Recovery and Reinvestment Act of 2009. The Smart Grid will offer two-way communication between information that is gathered through computers and transfer the data to the electrical grid on a real-time basis. The Agreement allocates intellectual property rights to innovations which may emerge out of the Smart Grid Grant to the parties involved in the Project. The findings will be reported to the Department of Energy (DOE) and will also be used to make decisions with regard to DWP's future plans for Smart Grid implementation strategy and upgrading the current Grid.

The goal of this project is to collaborate with USC, UCLA, and JPL for five years demonstrating new technologies in Smart Grid technology in at least four locations of the City. Department of Energy (DOE) will reimburse the cost of the Project to the parties of the Grant upon the completion of the demonstration projects. However, JPL is a division of the National Aeronautics and Space Administration making JPL an agency funded by the Federal Government. Consequently, according to Federal guidelines under the Anti-deficiency Act (31 USC 1341(a), items not previous funded as a line item in the budget cannot proceed without an advance payment from participating parties. Therefore, an advance payment not to exceed \$6 million must be approved by an ordinance of the

ENERGY & ENVIRONMENT
JUL 09 2010

City Council pursuant to Charter Section 262(a)(2) to pay JPL. DWP states the City Attorney is in the process of writing the ordinance. City Council approval is also required to enter into the Smart Grid Grant collaborative Agreement with UCLA, USC and JPL and for the Intellectual Project Agreement for the intellectual property rights to the innovations that result from the Project.

Discussion

The DWP applied for the Smart Grid Grant pursuant to the provision of the American Recovery and Reinvestment Act (ARRA) of 2009 which provides for energy efficiency and science advances that will assist in the economic elimination of waste and future creation of jobs. The Board accepted the five-year Smart Grid Grant on March 18, 2010. The ARRA award (administered through the DOE) for the Smart Grid is a matching grant of \$60 million; therefore, the total cost of the project is \$120 million. It is currently anticipated that UCLA and USC will each receive \$10 Million from the DOE and their match will total \$10 million each; in addition, JPL will receive \$3 million from the DOE and \$3 million from DWP increasing their total to \$6 million.

The Project Agreement includes a provision allowing DWP to expend an additional \$3 million from DWP Power Revenue funds (not from DWP Grant Funds) on Smart Grid related projects at DWP's discretion, increasing the total Smart Grid Project Budget total to \$123 Million. DWP plans to provide \$3 million to JPL. It is anticipated that JPL will discover many new technologies that DWP will be interested in acquiring and the additional \$ 3 million could be used for this purpose. DWP's commitment shall not exceed \$43 million over the five-year term of the Agreement.

The Smart Grid Project will leverage DWP's expertise in power systems and power delivery and the universities, along with JPL, will add their research and understanding of the most recent technologies. These combined efforts will result in at least four projects that will be tested at various parts of the City including use of the campus sites. Below are examples of the focus group areas to be tested although the exact individual projects and costs have yet to be developed and these estimates are likely to change:

- Demand Respond – (\$45 Million) This category will include researching equipment that could provide real-time information to the customer for action to reduce their energy consumption, when possible. For example, information from a smart meter could be collected and transmitted to the customer on their cell phone. The customer could lower power usage by turning appliances off. Other options could include increased usage of energy from renewable power sources, creation of battery storage systems and increases in energy efficiency technology.
- Behavioral Studies – (\$11 Million) This category will include research into the actual behavior of customers within test neighborhoods provided with the different efficiency options. The behavior will be monitored and the actual energy efficiency achieved will be compared to the cost for the benefit analysis.

- Cyber Security – (\$14 Million) This category will include researching options to secure the Smart Grid while ensuring operational compatibility of all the new Smart Grid technologies for the customers. Security from system hackers would be a major concern on the Smart Grid.
- Electric Vehicles – (\$35 Million) This category will allow for the integration of an electric vehicle component onto the Smart Grid technology option for the purpose of providing a separate low cost real-time connection option to the electric grid. One option is providing batteries along the Smart Grid where low cost electric charging would be available instead higher cost electricity located through the home meter. This is just an example; research has to be conducted to develop viable options.
- Administrative Expense – (\$15 Million) Project Management and Executive Committee including in-kind staff, equipment and supplies.
- Additional Projects – (\$3 Million) DWP discretionary funds.

The first four projects areas will be connected to ensure they can be linked together resulting in interoperability. The intent is that customer access to any of these will be smooth and transparent.

Job Creation or Job Preservation

DWP states the Smart Grid Project was approved by the DOE pursuant to the following two requirements of the ARRA legislation of 2009:

1. To Preserve and create jobs and promote economic recovery
2. To invest in transportation, environmental protection, and other infrastructure that will provide long term benefits. (See Discussion Section)

The job creation portion of the project occurs in the research and implementation phase of the Smart Grid. USC and UCLA have discussed hiring approximately 40-50 staff members under the grant, only if the Memorandum of Understanding (MOU) with the City is approved. This is a rough estimate by DWP because the universities cannot commit to an exact number before the MOU is signed.

DWP's usage of current staff expertise on the electrical grid will fulfill the job grant preservation requirement. DWP has reassigned staff to participate in the Smart Grid Project. The staffing level varies depending on the phases of the project; however, DWP states the number of positions range from a high of 134 to a low of 58.

City Compliance Issues

In accordance with the California Environmental Quality Act (CEQUA), it has been determined that entering into a Smart Grid Project Agreement among DWP, NASA/JPL, UCLA, and USC and an

Intellectual Property Agreement with these same parties and providing funding for the Smart Grid Project is exempt, pursuant to the Class 6 Exemptions described in CEQA guidelines Section 15306. Class 6 consists of basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted or funded.

DWP 's Personnel Division has determined that due to the specialized nature of the expertise and work involved in the Project Agreement, the work is more economically and feasibly performed by the Parties than by DWP or City employees. An Executive Directive No. 4 waiver was granted by the Mayor's Office on May 5, 2010.

RECOMMENDATIONS

That the Council, subject to the approval by the Mayor:

1. Approve the attached Board of Water and Power Resolution authorizing the Department of Water and Power to enter into a Smart Grid Demonstration Cooperative Project Grant Agreement with the National Aeronautics and Space Administration/Jet Propulsion Laboratory, the University of California Los Angeles and the University of Southern California awarded to DWP by the Federal Government;
2. Approve the attached Board of Water and Power Resolution authorizing the Department of Water and Power to enter into an allocation of rights in the Intellectual Property Agreement; and
3. Approve the advance payment of \$6 million to National Aeronautics and Space Administration/Jet Propulsion Laboratory by Ordinance to be provided by the City Attorney.

FISCAL IMPACT STATEMENT

Approval of this request will not impact the General Fund. The DWP plans to expend \$43 Million of its own Funds on the Smart Grid Project. However, DWP may voluntarily cease participation and financial obligation at any time by sixty days notice to the Participants.

Time Limit for Council Action

Pursuant to Charter Section 373, "Long Term Contracts Approved by Council," and Los Angeles Administrative Code Section 10.5 "Limitation and Power to make Contracts," unless the Council disapproves a contract within 30 days after submission to the Council it shall be deemed approved.

Mr. Miguel A. Santana,
City Administrative Officer

Department of Water and Power



the City of Los Angeles

2010 JUN -8 AM 8:44

ANTONIO R. VILLARAIGOSA
Mayor

Commission
LEE KANON ALPERT, *President*
FORESCEE HOGAN-ROWLES
JONATHAN PARFREY
THOMAS S. SAYLES
BARBARA E. MOSCHOS, *Secretary*

CITY ADMINISTRATIVE OFFICER AUSTIN BEUTNER
General Manager
RAMAN RAJ
Chief Operating Officer

June 2, 2010

The Honorable City Council
City of Los Angeles
Room 395, City Hall
Los Angeles, California 90012

Honorable Members:

Subject: Smart Grid Demonstration Cooperative Project Agreement with National Aeronautics and Space Administration, University of California at Los Angeles, University of Southern California

Pursuant to Charter Section 262(a)(2) and 373, enclosed for approval by your Honorable Body is Resolution No. 010-345, adopted by the Board of Water and Power Commissioners (Board) on June 1, 2010, approved as to form and legality by the City Attorney, which approves the Smart Grid Demonstration Cooperative Project Agreement with National Aeronautics and Space Administration, University of California at Los Angeles (UCLA), University of Southern California (USC), and the Smart Grid Regional Demonstration Project Intellectual Property Agreement with California Institute of Technology, UCLA, USC. As directed by the Board, transmitted to you are supporting documents.

If there are any questions regarding this item, please contact Ms. Winifred Yancy, Manager – Government and Neighborhood Relations, at (213) 367-0025, or Mr. Aram Benyamin, at (213) 367-4435.

Sincerely,

Barbara E. Moschos
Board Secretary

BEM:oja

Enclosures: LADWP Resolution
Board Letter
Smart Grid Demonstration Cooperative Project Agreement

c/enc: Mayor Antonio Villaraigosa
Councilmember Jan C. Perry, Chair, Energy and the Environment Committee
Mr. Gerry F. Miller, Chief Legislative Analyst
Mr. Miguel A. Santana, City Administrative Officer
Mr. Rafael Prieto, Legislative Analyst
Mr. William R. Koenig, Chief Administrative Analyst
Ms. Winifred Yancy
Mr. Aram Benyamin

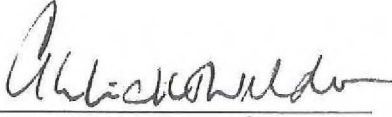
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LADWP BOARD APPROVAL LETTER

TO: BOARD OF WATER AND POWER COMMISSIONERS		DATE: May 13, 2010
<div style="display: flex; justify-content: space-around; align-items: flex-end;"> <div style="text-align: center;">  <hr style="width: 80%; margin: 0 auto;"/> <p>RAMAN RAJ Chief Operating Officer</p> </div> <div style="text-align: center;">  <hr style="width: 80%; margin: 0 auto;"/> <p>AUSTIN BEUTNER General Manager</p> </div> </div> <div style="display: flex; justify-content: space-around; align-items: flex-end;"> <div style="text-align: center;">  <hr style="width: 80%; margin: 0 auto;"/> <p>CECILIA K. T. WELDON Chief Administrative Officer</p> </div> <div style="text-align: center;">  <hr style="width: 80%; margin: 0 auto;"/> <p>ARAM BENYAMIN Senior Assistant General Manager- Power System</p> </div> </div>		<p>SUBJECT: Smart Grid Demonstration Cooperative Project Agreement Among National Aeronautics and Space Administration (NASA), University of California at Los Angeles (UCLA), University of Southern California (USC), and Los Angeles Department of Water and Power (LADWP) and Smart Grid Demonstration Project Intellectual Property Agreement Among the California Institute of Technology (Caltech), UCLA, USC, and LADWP</p>
		<p>FOR COMMISSION OFFICE USE:</p>
<p>CITY COUNCIL APPROVAL REQUIRED: Yes X No</p>	<p>IF YES, BY WHICH CITY CHARTER SECTION: 262(a)(2) and 373</p>	

PURPOSE

Transmitted for approval by your Honorable Board is a Resolution, approved as to form and legality by the City Attorney, authorizing the Los Angeles Department of Water and Power (LADWP) to enter into the Smart Grid Demonstration Cooperative Project Agreement (Project Agreement) and the Smart Grid Regional Demonstration Project Allocation of Rights in Intellectual Property Agreement (IP Agreement) (collectively, Agreements). The Agreements will assist LADWP in carrying out work under a \$60 million matching grant received by LADWP from the Department of Energy (DOE) related to smart grid (Smart Grid) technologies which was accepted by the Board on March 18, 2010 (the Smart Grid Grant). The Project Agreement establishes a working relationship between LADWP, the University of California at Los Angeles (UCLA), the University of Southern California (USC), and the National Aeronautics and Space Administration (NASA) on behalf of the Jet Propulsion Laboratory (JPL) an operating division of the California Institute of Technology (Caltech) (each a Party, and collectively, the Parties) while the IP Agreement allocates the intellectual property rights to innovations which may emerge out of the Smart Grid Grant.

The total Smart Grid Grant budget under the Project Agreement is approximately \$120 million. It is currently anticipated that UCLA and USC will each receive approximately \$10 million of the DOE funds and each will be responsible for cost sharing (both in-kind and cash expenditures) of \$10 million, and JPL will receive approximately \$6 million total of which \$3 million is from the DOE funds and \$3 million is from LADWP's non-federal funds. In addition to the total Smart Grid Grant project budget of \$120 million, LADWP may expend up to an additional \$3 million on Smart Grid related projects through this Project Agreement, for a total overall budget of approximately \$123 million. LADWP may expend funds which are intended to qualify for Smart Grid Grant matching purposes through the Project Agreement or through LADWP's other contracting processes at LADWP's discretion.

Council Approval is required.

BACKGROUND

In early 2009, DOE, through the American Recovery and Reinvestment Act (ARRA), released a Funding Opportunity Award for the Smart Grid Grant (Award No. DOE FOA-036). LADWP submitted an application in August 2009, and was awarded a \$60 million matching grant on December 31, 2009. The Board of Water and Power Commissioners (Board) authorized acceptance of the Smart Grid Grant on March 18, 2010. As described below, the Project Agreement and the associated IP Agreement outlines the roles, duties, and responsibilities of the Smart Grid program, including provisions for the schedule, task orders, and budget.

The Smart Grid Project will leverage LADWP's expertise in power systems and power delivery, while USC, UCLA, and NASA (the Project Participants) will provide a multi-dimensional understanding of smart grid technologies. The Smart Grid Grant program will use the USC and UCLA campuses as well as various sites in Los Angeles as testing grounds to demonstrate four interrelated project initiatives: 1) Demand Response, 2) Behavioral Studies, 3) Cyber Security, and 4) Electric Vehicles.

Technologies developed as a result of the research and development by the various activities will be tested in LADWP's demonstration labs, and actual field tests will be performed at a number of LADWP facilities and locations before any large-scale deployment is initiated. The results and experience gained through the Smart Grid Project will assist LADWP in deploying elements of Smart Grid technology through LADWP's strategic planning process.

PROJECT AGREEMENT

The Project Agreement establishes a working relationship between LADWP and the Project Participants to facilitate and streamline the collaborative process while achieving

the goals of the Project. Below is an outline of the substantive aspects of the Project Agreement.

The Project's organizational structure is set forth in the Project Agreement, and has four main components: an Executive Committee (EC); a Project Management Office (PMO); Project Managers (PM); and University Research Project Leads (RPLs). The EC functions to provide direction and guidance to the program and to ensure cooperation and interchange of information between the Parties. The EC is comprised of the Program Director, three executive LADWP representatives and three University representatives. Although the EC can discuss and vote on matters, the three executive LADWP members have the final authority over any specific course of action under the Project. The EC will also review the budget and project schedule.

The PMO arranges for the performance of Project activities. This includes being the single point of contact with DOE, managing all reporting functions and processing payment requests. The Project Managers are the implementers of the project, with one PM per research area. The PMs will be responsible for coordinating efforts with the University research teams, and will ensure adherence to cost estimates, plans and schedules. The PMs will work closely with the assigned University Research Project Leads, who will be the technical and research project leads for each of the four Project research areas.

The Project Agreement further outlines the detailed process for how LADWP will administer task orders, budget and schedule. A preliminary Project budget and schedule are included as exhibits to the Project Agreement. Task orders will be issued by the PMO based on the schedule, budget and timeline for each project area. After completion of a task order or deliverable under a task order, the University or Universities participating in the Task Order shall submit evidence of completion and a payment request (Payment Request) to the PMO. Payment from DOE funds will not be made by LADWP to a University unless and until DOE funds have been received by LADWP for such payment. All payments will be made after certification of completion, and after verification that any other all requirements of this Project Agreement have been met, by the Project Director and PMO. Once there has been final approval from the PMO, LADWP shall remit payments to the appropriate Parties within sixty (60) days after LADWP receives funds from DOE. Due to federal requirements, NASA requires to be paid in advance. LADWP will provide funding to NASA a maximum estimated cost of \$9 million to conduct the proposed research and/or testing under this Project Agreement. A pro forma invoice will be submitted to LADWP for each incremental payment, and payment will be made to NASA based on an agreed-upon scope of work and delivery schedule. It should be noted that the Project Agreement does not obligate LADWP to expend any particular amount of funds.

The IP Agreement, which is an exhibit to the Project Agreement, outlines the intellectual property rights that apply to LADWP and the Participants. LADWP will receive a non-

exclusive, royalty-free license to all technologies which emerge from the Smart Grid Project, and will also have a time-limited right to elect an exclusive commercialization license. Caltech is a signatory to the IP Agreement because Caltech operates JPL on behalf of NASA, and Caltech is authorized by NASA to arrange for the licensing of intellectual property that may arise from work at JPL. Because this Smart Grid Grant is federally funded under the ARRA, the federal government retains a royalty-free license to intellectual property for authorized government purposes. Under the Smart Grid Grant terms, the standard intellectual property procedure is that the federal government will own intellectual property resulting from grant monies, and the participants (including LADWP) will then have a license to use the technology. However, DOE has stated that a "class waiver" will be granted that will allow LADWP to own intellectual property and the resulting technologies invented by LADWP.

Due to the diverse nature of the parties involved, which include a state university (UCLA), private universities (USC and Caltech), and federal agencies and research centers (NASA and JPL), the Agreements contain a number of deviations from LADWP's standard terms and conditions. For example, LADWP, USC, and UCLA have agreed to mutually and proportionally indemnify each other for negligent or intentional acts related to the Project Agreement, while no indemnification was obtained from NASA although LADWP attempted to negotiate such terms. In general, where the Parties were unable to follow LADWP's standard provisions, they have agreed to follow corresponding state and/or federal rules and regulations. The Parties have also agreed to flow down, to the extent legally permissible, certain provisions of the Project Agreement, the LADWP standard provisions, and DOE Grant terms to contractors and subcontractors who may be engaged under the Project.

COST AND DURATION

The total Smart Grid Grant project budget is approximately \$120 million. UCLA and USC will each receive approximately \$10 million of the DOE funds and each will be responsible for cost sharing of \$10 million, and JPL will receive approximately \$6 million total of which \$3 million is from the DOE funds and \$3 million is from LADWP's non-federal funds. In addition to the total Smart Grid Grant project budget of \$120 million, LADWP may expend up to an additional \$3 million on Smart Grid related projects through this Project Agreement, for a total LADWP budget of up to \$43 million and an overall budget of approximately \$123 million. To the extent LADWP receives matching funds from DOE for expenditures under the Project Agreement or for expenditures which otherwise qualify for matching funds under the Smart Grid Grant, LADWP will be required to expend such matching funds on projects related to the LADWP-DOE Smart Grid Grant project.

The Agreements have five (5)-year terms from the date of execution.

FUNDING SOURCE

The Smart Grid Project expenditures are budgeted and funded out of various Power and Joint Revenue Funds. The Financial Services Organization reviewed and validated funds for the project.

Power Revenue Fund

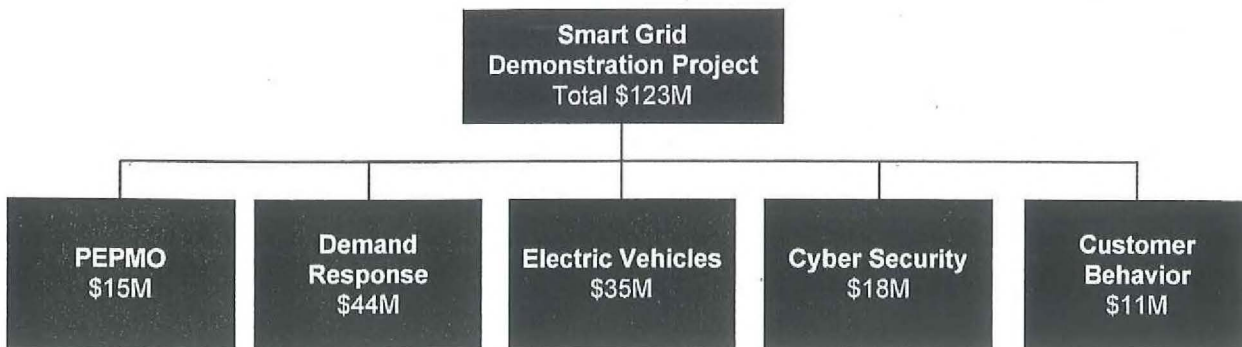
Fiscal Years: 2010/2011 – 2014/2015
Functional Item Nos.: 21642, 28840, and 29020
Location in Budget: Under Power System Information and Advanced Technologies' and Power Executive Office's budget

Joint Revenue Fund

Fiscal Years: 2010/2011 – 2014/2015
Functional Item Nos.: 28-561, 289-90, 211-12, 288-94, 289-11, 289-15, 289-16, 211-12, 371-3520, 407-0210, 371-3225, 288-70
Location in Budget: Under Fleet Engineering, Information Technology, and and Customer Service Division's budgets

The Financial Services Organization reviewed and validated funds to be distributed in the following manner.

The overall Program Expenditure, including DOE matching funds, will be as follows:



FISCAL IMPACT STATEMENT

LADWP currently plans to expend up to \$43 million of its own funds on this Smart Grid Project. However, LADWP may voluntarily cease participation and expenditures under the Project Agreement at any time by sixty (60) days' written notice to the Participants. With respect to future LADWP activities, as a result of the Demonstration Project, LADWP may potentially obtain Smart Grid technologies which could enhance LADWP's

revenue and reduce Operations & Maintenance costs. Because payment to NASA must be made in advance under the Project Agreement, such advance payments must be approved by an ordinance of the City Council pursuant to City Charter §262(a)(2).

TYPE OF INSURANCE COVERAGE(S) *\$ 6 million - 3 million Fed rules # 1 ordinance both.*

Caltech and NASA are self-insured.

USC and UCLA will provide confirmation of insurance coverage as set by LADWP Risk Management below:

<input checked="" type="checkbox"/>	Workers' Compensation	\$3,000,000	<input type="checkbox"/>	Property Damage	
<input checked="" type="checkbox"/>	Automobile Liability	\$5,000,000	<input type="checkbox"/>	Water Craft	
<input checked="" type="checkbox"/>	General Liability	\$10,000,000	<input type="checkbox"/>	Pollution	
<input checked="" type="checkbox"/>	Professional Liability	\$5,000,000	<input type="checkbox"/>	Crime	
<input type="checkbox"/>	Aircraft Liability		<input type="checkbox"/>	Asbestos	

CONTRACT ADMINISTRATION

A Power Engineering and Project Management Office has been set up to ensure that all DOE requirements are adhered to. This office will consist of LADWP employees and expert consultants in the area of grant management and power engineering. LADWP will be the designated contact for DOE in this Smart Grid Project. In addition, LADWP will follow, to the extent feasible under the Smart Grid Grant, the City, and LADWP established processes and procedures for procurement and establishment of contracts and subcontracts. However, LADWP must "flow down" certain provisions in the grant documents to contractors who may take part in the Smart Grid Project.

Time and Material: Yes No

Markup: None

FORMAL OBJECTIONS TO AWARD OF CONTRACT

None

JOB OPPORTUNITIES AND TRAINING POLICY Applicable Not Applicable

INTERNAL AUDIT Yes No

EXTERNAL AUDIT Yes No

METHOD OF SELECTION

Competitive Cooperative Purchase Sole Source Not Applicable

Because the project involves specialized academic and technical expertise, competitive bidding for the work under this Project Agreement would not be practicable or advantageous to LADWP.

CHARTER SECTION 1022 FINDINGS AND BASIS THEREOF

Due to the specialized nature of the expertise and work involved in the Project Agreement, the work is more economically or feasibly performed by the Parties than by LADWP or City employees.

MEMORANDUM OF UNDERSTANDING PROPOSED CONTRACT REVIEW PROCESS

A Notice of Compliance was issued by Labor Relations on May 21, 2010.

ENVIRONMENTAL DETERMINATION

In accordance with the California Environmental Quality Act (CEQA), it has been determined that entering into a Smart Grid Demonstration Cooperative Project Agreement among LADWP, NASA, UCLA, and USC; entering into a Smart Grid Demonstration Project Intellectual Property Agreement among LADWP, Caltech, UCLA, and USC; and providing funding for The Smart Grid Project is exempt pursuant to the Class 6 exemptions described in CEQA Guidelines Section 15306. Class 6 consists of basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded.

LOS ANGELES CITY COUNCIL APPROVAL

An Executive Directive No. 4 waiver was granted by the Mayor's Office on May 5, 2010.

CONFLICT OF INTEREST STATEMENT

All conflict of interest procedures were followed. No conflict of interest issues were identified.

Board of Water and Power Commissioners
Page 8
May 13, 2010

RECOMMENDATION

It is recommended that your Honorable Board adopt the attached Resolution authorizing LADWP enter into the Smart Grid Demonstration Cooperation Project Agreement and and the related IP Agreement.

JXC: tg
Attachments

e-c/atts: Austin Beutner

Raman Raj
Richard M. Brown
Aram Benyamin
James B. McDaniel
Cecilia K. T. Weldon
Lorraine A. Paskett
Jeffery L. Peltola
Matthew M. Lampe
Maria Sison-Roces
John X. Chen
Maria Sharma

WHEREAS, in August 2009, the City of Los Angeles Department of Water and Power (LADWP) applied for a federal grant from the United States Department of Energy (DOE) for the implementation of a Smart Grid demonstration project (the Smart Grid Project) in collaboration with the University of Southern California (USC), the University of California at Los Angeles (UCLA), and the National Aeronautics and Space Administration (NASA) for the Jet Propulsion Laboratory (JPL) which is operated by the California Institute of Technology (Caltech) (collectively, the Project Participants); and

WHEREAS, LADWP was awarded a \$60 million matching grant (the Smart Grid Grant) by DOE in December 2009, and the Board of Water and Power Commissioners authorized the LADWP on March 18, 2010, to accept and acknowledge the Smart Grid Grant; and

WHEREAS, the proposed Smart Grid Demonstration Cooperative Project Agreement (Project Agreement) among LADWP, UCLA, USC, and NASA, and the Smart Grid Demonstration Project Intellectual Property Agreement among LADWP, UCLA, USC, and Caltech (IP Agreement) will allow the Project Participants to carry out the goals of the Smart Grid Grant; and the Smart Grid Project has four main components, namely: demand response, electric vehicles, cyber security, and behavior studies; and

WHEREAS, the Project Agreement and IP Agreement each has a term of 5 years, and the total budget under the Project Agreement is approximately \$123 million, with a maximum expenditure of LADWP funds of \$43 million; and funds provided to NASA under the Project Agreement must be paid in advance.

NOW, THEREFORE, BE IT RESOLVED that the Project Agreement between LADWP, UCLA, USC, and NASA, and the IP Agreement between LADWP, USC, UCLA, and Caltech, now on file with the Secretary of the Board and approved as to form and legality by the City Attorney, be and the same are hereby approved.

BE IT FURTHER RESOLVED that the Board finds that under City Charter §371(e)(2) the use of a competitive process for the Project Agreement and IP Agreement would not be practicable or advantageous as the efforts under the Project Agreement and IP Agreement are for professional and expert services of a temporary and occasional character.

BE IT FURTHER RESOLVED that the Board finds that under City Charter §1022, due to the expert nature of the services to be provided, the work under the Project Agreement and IP Agreement can be more economically or feasibly performed by outside entities than by LADWP or City employees.

BE IT FURTHER RESOLVED that the President or Vice President of the Board, or the General Manager, or such person as the General Manager shall designate in writing, and the Secretary, Assistant Secretary or the Acting Secretary of the Board be and they are hereby authorized and directed to execute said Project Agreement and IP

Agreement for and on behalf of the LADWP, subject to City Council approval by ordinance of such agreements.

BE IT FURTHER RESOLVED that the Chief Accounting Employee of the LADWP, upon proper certification, is authorized and directed to draw demands on the Power Revenue Fund in payment of obligations arising under the Project Agreement and the IP Agreement.

I HEREBY CERTIFY that the foregoing is a full, true, and correct copy of a resolution adopted by the Board of Water and Power Commissioners of the City of Los Angeles at its meeting held ^{JUN 01 2010}

Barbara E. Inosehos

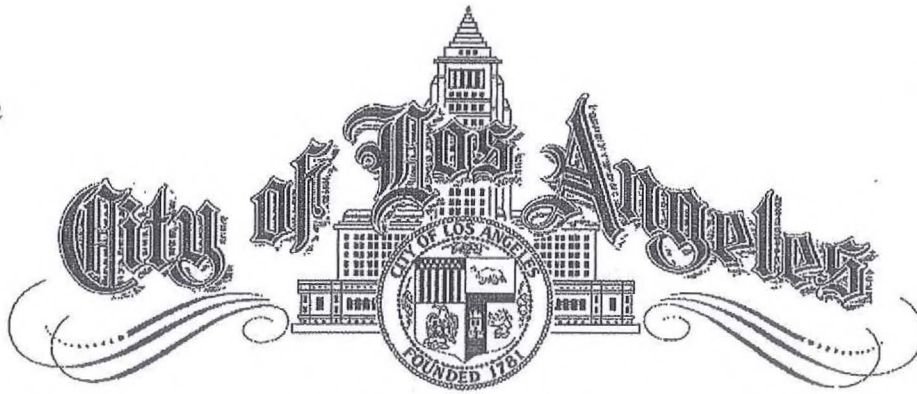
Secretary

APPROVED AS TO FORM AND LEGALITY
CARMEN A. TRUTANICH, CITY ATTORNEY

MAY 12 2010
BY *Lonnie Eldridge*
LONNIE ELDRIDGE
DEPUTY CITY ATTORNEY

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CARMEN A. TRUTANICH
City Attorney

REPORT NO. R 10-0190
JUL 30 2010

REPORT RE:

DRAFT ORDINANCE APPROVING: (1) THE SMART GRID DEMONSTRATION COOPERATIVE PROJECT AGREEMENT AMONG THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA), THE UNIVERSITY OF CALIFORNIA AT LOS ANGELES (UCLA), THE UNIVERSITY OF SOUTHERN CALIFORNIA (USC), AND THE LOS ANGELES DEPARTMENT OF WATER AND POWER (LADWP), AND (2) THE SMART GRID DEMONSTRATION PROJECT INTELLECTUAL PROPERTY AGREEMENT AMONG THE CALIFORNIA INSTITUTE OF TECHNOLOGY (CALTECH), UCLA, USC AND LADWP, AND (3) ADVANCE PAYMENT UNDER THOSE AGREEMENTS

The Honorable City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, California 90012

Honorable Members:

This Office has prepared and now transmits for your consideration the enclosed draft ordinance, approved as to form and legality. This draft ordinance provides for the approval of: (1) the Smart Grid Demonstration Cooperative Project Agreement (Project Agreement) among the National Aeronautics and Space Administration (NASA), the University of California at Los Angeles (UCLA), the University of Southern California (USC), and the Los Angeles Department of Water and Power (LADWP), and (2) the Smart Grid Demonstration Project Intellectual Property Agreement (IP Agreement) among the California Institute of Technology (Caltech), UCLA, USC and LADWP, and (3) advance payment under the agreements (Agreements). The Agreements were previously approved by the Board of Water and Power Commissioners on June 1, 2010 (Resolution No. 010-345).

Background

In August 2009, LADWP, along with UCLA, USC and NASA (the Project Participants), applied for a smart grid grant (Smart Grid Grant) from the United States Department of Energy (DOE). DOE awarded a \$60 million matching grant to LADWP on December 31, 2009. The Board of Water and Power Commissioners (Board) authorized acceptance of the Smart Grid Grant on March 18, 2010.

A smart grid (Smart Grid) is a power transmission and distribution system that is enabled to interoperate with real time data. A Smart Grid includes many potential benefits, including allowing energy consumers to understand their usage in real time, and to allow producers of energy to better control and schedule their generation sources. The Smart Grid Grant Program will leverage LADWP's expertise in power systems and power delivery, while USC, UCLA and NASA will provide a deep understanding of advanced Smart Grid technologies. The Smart Grid Grant Program will develop and test technologies in four interrelated project areas: (1) Demand Response; (2) Behavioral Studies; (3) Cyber Security; and (4) Electric Vehicles.

The Project Agreement establishes a working relationship between LADWP and the other Project Participants with respect to the receipt and administration of the Smart Grid Grant. The total budget from all sources under the Project Agreement is approximately \$123 million. It is anticipated that UCLA and USC will each receive approximately \$10 million of the DOE funds and each will be responsible for cost sharing (both in-kind and cash expenditures) of \$10 million. NASA, working through its Jet Propulsion Laboratory (JPL) will receive approximately \$6 million, of which \$3 million will come from DOE funds and \$3 million from LADWP's non-federal funds. The total LADWP budget set forth in the Project Agreement is \$43 million.

It should be noted that entering into this Project Agreement does not obligate LADWP to expend any particular amount of funds, and LADWP may terminate the Project Agreement upon sixty (60) days notice to the other Project Participants. The IP Agreement, which is an exhibit to the Project Agreement, outlines the intellectual property rights that apply to LADWP and the other Project Participants. The Agreements have five-year terms which begin upon execution by the last signatory. Caltech is a signatory to the IP Agreement because NASA's work will be performed at JPL, which Caltech operates on behalf of NASA.

Summary of Ordinance Provisions

Charter Section 262(a)(2) provides that the City Controller may permit advance payments under payment terms that have been authorized by ordinance. Charter Section 373 requires Council approval for certain contracts longer than three years. The draft ordinance approves the Agreements and provides the authorization to permit such advance payments.

CEQA Findings

In accordance with the California Environmental Quality Act (CEQA), the Agreements are exempt from further CEQA requirements pursuant to the California CEQA Guidelines, which state that activities consisting of basic data collection, research and experimental management which do not result in a serious or major disturbance to an environmental resource are exempt from CEQA review. See Cal. Code Reg. Title 14 §15306.

Council Rule 38 Referral

This draft ordinance has been presented to the Board of Water and Power Commissioners pursuant to Council Rule 38.

If you have any questions regarding this matter, please contact Deputy City Attorney Lonnie J. Eldridge at (213) 367-4550. He or another member of our Office will be present when you consider this matter to answer any questions you might have.

Very truly yours,

CARMEN A. TRUTANICH, City Attorney

By 
PEDRO B. ECHEVERRIA
Chief Assistant City Attorney

PBE:LJE:lee
Transmittal

ORDINANCE NO. _____

An ordinance approving: (1) the Smart Grid Demonstration Cooperative Project Agreement among the National Aeronautics and Space Administration (NASA), the University of California at Los Angeles (UCLA), the University of Southern California (USC) and the Los Angeles Department of Water and Power (LADWP), and (2) the Smart Grid Demonstration Project Intellectual Property Agreement Among the California Institute of Technology, UCLA, USC, and LADWP, and (3) advance payment under those agreements.

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1. The Smart Grid Demonstration Cooperative Project Agreement among the National Aeronautics and Space Administration (NASA), the University of California at Los Angeles (UCLA), the University of Southern California (USC) and the Los Angeles Department of Water and Power (LADWP), and the Smart Grid Demonstration Project Intellectual Property Agreement Among the California Institute of Technology, UCLA, USC, and LADWP, both previously approved by the Board of Water and Power Commissioners of the Los Angeles Department of Water and Power by the adoption of Resolution No. 010-345 (June 1, 2010), and that are on file with the City Clerk, are hereby approved, as well as advance payment under those agreements.

Sec. 2. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of _____.

JUNE LAGMAY, City Clerk

By _____ Deputy

Approved _____

Mayor

Approved as to Form and Legality

CARMEN A. TRUTANICH, City Attorney

By Lonnie J. Eldridge (702)
LONNIE J. ELDRIDGE
Deputy City Attorney

Date 6/30/10

File No. _____