

COMMUNICATION FROM CHAIR ENERGY AND ENVIRONMENT COMMITTEE and ORDINANCE FIRST CONSIDERATION relative to proposed agreements with the Cities of Burbank, Glendale, and Pasadena to amend Transmission Service Rates.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. CONCUR with the Board of Water and Power Commissioners' (Board) action of March 18, 2014, Resolution No. 014-163 authorizing the following agreements to amend the Transmission Service Agreements:
 - a. Execution of Amendment No. 1 to Agreement Nos. 10006, 10412, and 10931 with the City of Burbank.
 - b. Ratification of Agreement No. 10412 with the City of Burbank.
 - c. Execution of Amendment No. 1 to Agreement Nos. 10007 and 10932 with the City of Glendale.
 - d. Execution of Amendment No. 1 to Agreement Nos. 10008 and 10932 with the City of Pasadena.
2. PRESENT and ADOPT the accompanying ORDINANCE ratifying the Los Angeles Department of Water and Power-Burbank Transmission Service Agreement No. 10412 between the City of Burbank and the Los Angeles Department of Water and Power of the City of Los Angeles (LADWP), and approving Amendments No.1 to each of Agreement Nos. 10006, 10412 and 10931 between LADWP and the City of Burbank; Agreement Nos. 10007 and 10932 between LADWP and the City of Glendale; and Agreement Nos. 10008 and 10933 between LADWP and the City of Pasadena.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that approval of Resolution No. 014-163 will have no impact on the City's General Fund. Approval of the Resolution No. 014-163 will allow for the debit of \$6,319,200 from the Power Revenue Fund. The Department's adopted Financial Policies do not apply.

Community Impact Statement: None submitted.

Summary:

On May 7, 2014, the Chair of the Energy and Environment Committee considered March 21, 2014 Board, December 20, 2013 CAO, and April 17, 2014 City Attorney reports, Resolution No. 014-163, and Ordinance relative to proposed agreements with the Cities of Burbank, Glendale, and Pasadena to amend Transmission Service Rates. According to the CAO, the LADWP is requesting approval of Resolution No. 014-163 authorizing by Ordinance, the amendment of the Transmission Service Agreements (TSA) with the cities of Burbank, Glendale and Pasadena and the ratification of one new TSA with Pasadena, which was not previously approved by the Council. Amendment No. 1 (Amendment) to the TSAs will implement a new fixed transmission service rate to be invoiced to the Cities; however, the expiration date will remain the same. The City Attorney has approved the proposed resolution as to form and legality. The purpose of the TSAs for the Cities of Burbank;

Glendale, and Pasadena is to provide long-term transmission service for their electrical generating facilities on the LADWP transmission system to enable the Cities to deliver energy to their electric systems. The TSAs consist of the following:

<u>Transmission Service</u>	<u>City</u>	<u>Agreement No.</u>
Intermountain Power Plant Agreement (IPP)	Burbank	10006
Intermountain Power Plant Agreement (IPP)	Glendale	10007
Intermountain Power Plant Agreement (IPP)	Pasadena	10008
Victorville Receiving Station E	Burbank	10931
Victorville Air Way Receiving Station	Glendale	10932
Victorville Sylmar	Pasadena	10933
Mead-Adelanto	Burbank	10412

Each Transmission Service Agreement ("TSA" or collectively, "TSAs") outlines the terms and conditions of the Parties' agreement for the sale and purchase of transmission service between specific points of delivery and points of receipt on the transmission system owned and operated by the LADWP, and the rates to be charged for such transmission service. Burbank and Pasadena have threatened litigation and Glendale has filed a claim (Claim No. C11-5589) to seek reimbursement for portions of the, transmission service rates invoiced by the LADWP pursuant to the their respective TSAs.

In accordance with the TSAs, when the interest rate that is used in financing the Southern Transmission System is lowered due to refinancing the bonds, the transmission service rate must be adjusted as well, Burbank, Glendale, and Pasadena claimed in a dispute that the transmission service rates should have been lowered over several years due to the lowering of interest rates from the refinancing. Following a review, the LADWP confirmed that the lowering of the interest rates was proper under the TSAs, and agreed to retroactively adjust the transmission service rates and credit Burbank, Glendale, and Pasadena for the period. during which the adjustments should have taken place. Following a lengthy period of negotiations, the LADWP and Burbank, Glendale, and Pasadena reached a tentative agreement on the reimbursements resulting for the period of the adjustments. The reimbursements will be shown as credits on the monthly invoices of the Cities' respective TSAs. The credits will continue until the reimbursement totals have been fulfilled. As part of the Settlement Agreements the transmission service rate will be fixed at \$0.80/kW-mo for the remainder of the term of the TSAs.

On July 16, 2013, the LADWP Board of Commissioners approved the Settlement Agreements (under Board Resolution No. 014-032) with the Cities of Burbank, Glendale and Pasadena (Agreement Nos. 8P13-023, 8P13-024 and BP13-025, respectively) for credits owed by the LADWP to. those cities for adjustments to transmission service rates under the TSAs. As part of the terms and conditions of the Settlement Agreements, LADWP agreed to amend the TSAs to fix the transmission service rate at \$0:80 per Kilowatt(kW) per month. The Settlement Agreements will not be effective until the Amendments have been fully executed. In addition, the Amendments will make technical adjustments in the IPP DC transmission line capacities, as the capacity of the IPP DC line has been upgraded from 1920 Megawatts (MWs) to 2400 MWs since those TSAs were first entered into.

Finally, the LADWP advises that it appears that one of the original TSAs, Agreement No. 10412, had not been approved by the City Council, although it was previously approved by the Board under Resolution No. 94-215. Thus, the attached Resolution requests that the Council! ratify this TSA as well as approve the amendment to implement the fixed rate.

After consideration and having provided an opportunity for public comment, the Committee Chair moved to recommend approval of the recommendations as detailed above. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

COUNCILMEMBER FELIPE FUENTES, CHAIR
ENERGY AND ENVIRONMENT COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
FUENTES:	YES
BLUMENFIELD:	ABSENT
LABONGE:	ABSENT
HUIZAR:	ABSENT
KORETZ:	ABSENT

ARL
5/7/14

-NOT OFFICIAL UNTIL COUNCIL ACTS-