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| TRANSMITTAL | | 0150-10511-0000 |
| TO Marcie L. Edwards, General Manager Department of Water and Power (PPD) | DATE SEP 30 2015 | COUNCIL FILE NO. |
| FROM The Mayor | | COUNCIL DISTRICT |
| <p>BALANCING AUTHORITY AREA SERVICE AGREEMENTS BETWEEN DWP, BURBANK WATER AND POWER, AND GLENDALE WATER AND POWER</p> <p>Approved and transmitted for further processing including Council consideration. See the City Administrative Officer report attached.</p> <p style="text-align: right;"> MAYOR Ana Guerrero</p> | | |

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: September 28, 2015

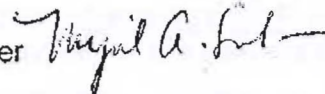
CAO File No. 0150-10511-0000

Council File No.

Council District:

To: The Mayor

From: Miguel A. Santana, City Administrative Officer



Reference: Communication from the Department of Water and Power dated September 23, 2015; referred by the Mayor for report on September 24, 2015

Subject: **BALANCING AUTHORITY AREA SERVICE AGREEMENTS BETWEEN DWP, BURBANK WATER AND POWER, AND GLENDALE WATER AND POWER**

SUMMARY

The Department of Water and Power (DWP; Department) requests approval of a proposed resolution by Ordinance authorizing the DWP Board of Commissioners to execute the following two agreements:

- (i) Balancing Authority Area Service Agreements (BAASA) BP 15-025 with Burbank Water and Power (BWP); and,
- (ii) Balancing Authority Area Service Agreements (BAASA) BP 15-026 with Glendale Water and Power (GWP).

The proposed agreements are necessary to accurately manage and control the exchange of energy between DWP system and BWP and GWP systems. Previously, BWP and GWP have not effectively controlled their respective systems. As a result, the DWP is adversely affected by deviations between scheduled and actual energy exchanges and the resulting system energy imbalance. Accordingly, the two agreements establish the terms, conditions, rates, and procedures for DWP to provide Balancing Authority Area (BAA) services to BWP and GWP.

The term of the two agreements will be effective on the implementation date and will continue until one or both parties elect to terminate or by default (e.g. failure to make payment).

The services provided under the proposed BAASA are similar to auxiliary services provided under the DWP Open Access Transmission Tariff (OATT) that was approved by the City Council on July 1, 2014. A Cost of Service Study (COSS) was utilized as the basis to determine fees under the OATT. Accordingly, DWP utilized the COSS to determine the appropriate fees for the BAASA. DWP estimates that annual revenue generated for services will be \$3.5 million for each agreement. Combined annual revenue benefiting the Power Revenue Fund will total \$7.0 million. Revenue from these agreements will be identified as Other Operating Revenue and utilized to offset the cost of providing services to the Department's Power customers.

The services provided under the BAASA include:

- Regulation and Frequency Response Service – to provide for the continuous balancing of energy resources involving generation and interchange;
- Energy Imbalance Service – to accommodate differences between the scheduled and actual delivery of energy within the BAA;
- Spinning Reserve Service – to provide available generation capacity that is able to immediately respond to a service outage; and,
- Supplemental Reserve Service – to provide available generation capacity within a short period of time.

The proposed resolution also provides authority to the DWP General Manager to provide revisions that are ministerial, administrative, or technical in nature, provided that the changes do not increase DWP cost obligation under the Agreements.

Council approval by Ordinance is required for power contracts, pursuant to Charter Section 674. The City Attorney has approved the Agreements and resolution as to form and legality.

We have reviewed the Department request and recommend approval.

RECOMMENDATIONS

That the Mayor:

1. Approve the proposed Ordinance authorizing the Department of Water and Power to execute (i) Balancing Authority Area Service Agreements (BAASA) BP 15-025 with Burbank Water and Power, and (ii) Balancing Authority Area Service Agreements (BAASA) BP 15-026 with Glendale Water and Power to establish the terms, conditions, rates, and procedures for DWP to provide Balancing Authority Area services; and,
2. Return the proposed resolution to the Department for further processing, including Council consideration.

FISCAL IMPACT STATEMENT

Approval of the proposed resolution is forecasted to generate annual revenue of \$7,000,000 for the Power Revenue Fund. There is no financial impact to the City General Fund. The proposed Agreement complies with the Department's adopted Financial Policies.

TIME LIMIT FOR COUNCIL ACTION

The City Attorney advises that there is no time limitation for items approved by ordinance.