

WHEREAS, Los Angeles Administrative Code Section 10.5.3 (Section 10.5.3) provides authority, within specified parameters, for the Board of Water and Power Commissioners (Board) to enter into financial transactions relating to natural gas to be used by the Department of Water and Power (LADWP) in the production of electricity to serve its retail customers; and

WHEREAS, prior to entering into any financial transaction for the purchase of natural gas, Section 10.5.3 requires such agreements to contain provisions for the payment, security, default, remedy and other terms and conditions, as authorized by the Board; and

WHEREAS, in accordance with Section 10.5.3, the Board established an Energy Services Executive Risk Policy Committee and established a risk management program to reduce volatility of the net amount payable for natural gas used for the production of electricity to serve LADWP's retail customers and to establish risk management controls to protect LADWP's assets; and

WHEREAS, in June 2006, LADWP issued a Request For Qualifications for natural gas financial hedging product providers to establish a pool of potential providers using ten-year International Swap Dealers Association (ISDA) Master Agreements to be consistent with the duration of financial gas transactions as established in Section 10.5.3; and

WHEREAS, after a comprehensive evaluation and review of all eighteen responses, the Board approved eleven ISDA Master Agreements and the related tri-party Custody Agreements between February 2007 and April 2008, and all agreements had ten year terms; and

WHEREAS, in 2010, Congress enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), which among other things, authorized the Commodity Futures Trading Commission (CFTC) to regulate certain transactions, as defined under the Dodd-Frank Act, including certain financial transactions in energy commodities; and

WHEREAS, in response to the Dodd-Frank Act, in 2015, the Board adopted Resolution 015-170, which approved LADWP's Dodd-Frank Compliance Policy, and Resolution 015-203, which adopted the use of the International Energy Credit Association (IECA) standard agreement amendments in order to comply with certain Dodd-Frank Act business conduct rules, recordkeeping, reporting requirements, and the use of IECA European Market Infrastructure Regulations for European-based counterparties; and

WHEREAS, as of September 30, 2016, LADWP has amended five existing ISDA Master Agreements through the use of IECA standard agreement amendments and

continues to work on amending the ISDA Master Agreements through the use of IECA standard agreement amendments with the remaining counterparties; and

WHEREAS, LADWP has resumed its financial gas hedging program with the five counterparties that are deemed Dodd-Frank Act compliant and intends to maintain its financial gas hedging program beyond 2017; and

WHEREAS, LADWP seeks to extend the term of the respective ISDA Master Agreements, which will include the IECA standard agreement amendments, for an additional ten years with each of the counterparties (ISDA Counterparty), and extend the term of the Custody Agreements, all as identified in the table herein (Table):

ISDA Counterparty	ISDA Master Agreements	Custody Agreements
BP Energy Company (assigned from BP Corporation North America Inc.)	47643A-7	47643B-7 and 47643C-7
Citibank, N.A.	47640A-7	47640B-7 and 47640C-7
J. Aron & Company	47644A-7	47644B-7 and 47644C-7
Macquarie Energy LLC (formerly Macquarie Cook Energy LLC)	47641A-7	47641B-7 and 47641C-7
Merrill Lynch Commodities, Inc.	47649A-8	47649B-8 and 47649C-8
Morgan Stanley Capital Group Inc.	47642A-7	47642B-7
Royal Bank of Canada	47648A-7	47648B-7 and 47648C-7
Wells Fargo Bank, N.A. (acquired from Wachovia Bank, N.A.)	47645A-7	47645B-7 and 47645C-7

WHEREAS, the material terms and conditions of the existing ISDA Master Agreements with the ISDA Counterparties and Custody Agreements with U.S. Bank, National Association (Custodian), remain the same, other than the revised fee schedules and additional ten year term; and

WHEREAS, the form of the First Amendment to the ISDA Master Agreements and Custody Agreements to extend their terms for an additional ten years from their respective expiration dates, with revised fee schedules, are on file with the Secretary of the Board; and

WHEREAS, extending the term of the ISDA Master Agreements and related Custody Agreements will require City Council approval; and

WHEREAS, BP Corporation North America Inc. informed LADWP that it seeks the consent of LADWP for the Transfer of the ISDA Master Agreement number 47643A-7 and assignment of Custody Agreement numbers 47643B-7 and 47643C-7 to BP Energy Company, an affiliate of BP Corporation North America Inc.; and

WHEREAS, it is in the best interests of LADWP to continue with its natural gas hedging program without interruption to help maintain and stabilize its customer electric rates.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the first amendments to extend the term of the respective ISDA Master Agreements, which includes the IECA standard agreement amendments, and the related Custody Agreements, by and between LADWP and each of the ISDA Counterparties, as identified in the Table, and Custodian, substantially in the form now on file with the Secretary of the Board, and approved as to form and legality by the City Attorney.

BE IT FURTHER RESOLVED that the Board requests that the City Council approve, per Charter Section 101 and Los Angeles Administrative Code Section 10.5.3, the amendments to the ISDA Master Agreements and related Custody Agreements, by and between LADWP and the ISDA Counterparties, as identified in the Table, and the Custodian, substantially in the form now on file with the Secretary of the Board.

BE IT FURTHER RESOLVED that the Board hereby consents to the Transfer of the ISDA Master Agreement number 47643A-7 and assignment of Custody Agreement numbers 47643B-7 and 47643C-7 from BP Corporation North America Inc. to BP Energy Company.

BE IT FURTHER RESOLVED that the President or Vice President of the Board, the General Manager or such person as the General Manager shall designate in writing as his or her designee, and the Secretary, Assistant Secretary, or the Acting Secretary of the Board are hereby authorized and directed to execute the amendments to the existing ISDA Master Agreements and the related Custody Agreements with the ISDA Counterparties and the Custodian for and on behalf of LADWP upon their approval by the City Council and approval as to form and legality by the City Attorney.

BE IT FURTHER RESOLVED that said ISDA Master Agreements, including IECA standard agreement amendments, and related Custody Agreements are exempt from LADWP's Business Policies found in Division 10 of the Los Angeles Administrative Code.


BE IT FURTHER RESOLVED that the Chief Accounting Employee of LADWP, upon proper certification, is authorized and directed to draw demands on the Power Revenue

Fund, in payment of the obligations arising under the ISDA Master Agreements, including the IECA agreement amendments, and Custody Agreements.

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 **APR 18 2017**


Secretary

APPROVED AS TO FORM AND LEGALITY
MICHAEL N. FEUER, CITY ATTORNEY

FEB 28 2017
BY 
JEAN-CLAUDE BERTET
DEPUTY CITY ATTORNEY