

Los Angeles
Department of
Water & Power

BOARD LETTER APPROVAL

RESOLUTION NO. _____

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DATE: May 30, 2017

SUBJECT: Amendment No. 2 to Los Angeles Department of Water and Power's Open Access Transmission Tariff, Agreement No. BP 01-017 (2017 OATT)

SUMMARY

The proposed Amendment No. 2 to the Open Access Transmission Tariff (OATT) Agreement No. BP 01-017 (2017 OATT) is to update the OATT to better align with the Federal Energy Regulatory Commission (FERC) *pro forma* OATT and traditional principles, processes and procedures of cost-of-service rate making. The 2017 OATT updates the standard rates, terms and conditions for open access wholesale transmission and ancillary services on the Los Angeles Department of Water and Power's (LADWP) transmission system for all eligible transmission customers on a comparable and not unduly discriminatory or preferential basis. The 2017 OATT rates are based upon an updated cost-of-services study (COSS). The 2017 OATT is recommended for approval following the conclusion of a formal, extensive stakeholder process.

City Council approval is required pursuant to Los Angeles Administrative Code (LAAC) Section 23.134.

RECOMMENDATION

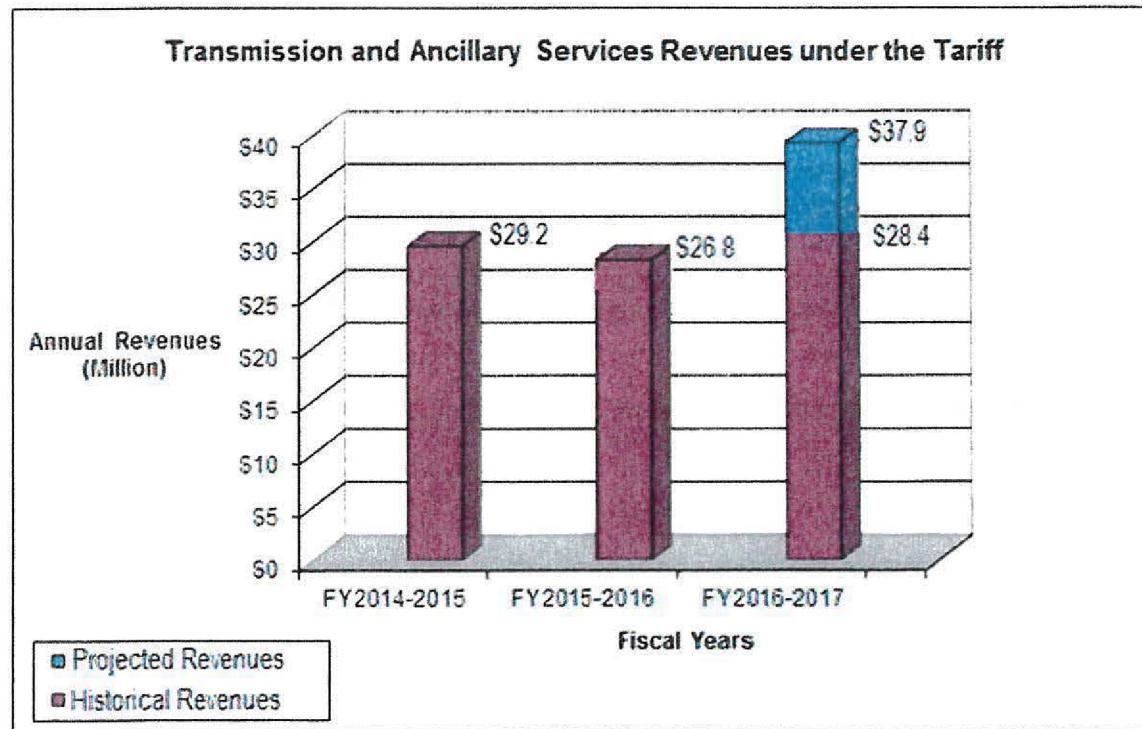
It is requested that the Board of Water and Power Commissioners (Board) adopt the attached Resolution recommending City Council's approval of the 2017 OATT as required per Los Angeles Administrative Code Section 23.134.

ALTERNATIVES CONSIDERED

Alternatives are not applicable. Although LADWP is a municipal utility that is not generally subject to FERC jurisdiction over LADWP with respect to wholesale sales or the provision of transmission in interstate commerce, LADWP voluntarily provides open access transmission and interconnection services on a comparable, non-discriminatory and non-preferential basis to all qualified transmission and interconnection service customers. LADWP established rates for open access transmission and ancillary services through a stakeholder process, and LADWP adopted other terms and conditions for transmission and interconnection service to third parties that are comparable to the terms and conditions that LADWP applies to itself. The amended OATT and Large Generator Interconnection Procedures (LGIP) and Large Generator Interconnection Agreement (LGIA) will enable LADWP to provide non-discriminatory open access transmission and interconnection service on LADWP's transmission system, and allow LADWP to generate revenue from the use of available transmission capacity on its system.

FINANCIAL INFORMATION

LADWP uses an Open Access Same-time Information System (OASIS), through an internet site available to all open access customers to enable transmission customers to communicate requests and responses to buy and sell available transmission capacity offered under the OATT by LADWP. Revenue from transmission sales made to transmission customers (excluding LADWP) utilizing LADWP's OASIS for the last three fiscal years, from 2014/2015 through 2016/17, represented \$93.9 million, with a yearly average of \$31.3 million. The revenue increase in fiscal year 2016/2017 is due to an increase in system usage. The 2017 OATT rates will become effective upon approval by the Los Angeles City Council.



Under the OATT, transmission customers are responsible for the following costs associated with the requested service (if applicable): base transmission service costs, ancillary service costs, direct facilities charges, and costs associated with any necessary Transmission Service System Impact and Facilities Studies. The interconnection customer is responsible for the following costs associated with an interconnection request: interconnection request administrative costs, direct facilities charges including interconnection facilities and any network upgrades resulting from the interconnection request, costs associated with the Interconnection System Impact and Facilities Studies, and a *pro rata* share reimbursement of common facilities that were paid for by previous interconnection customers (the original interconnection customer will be reimbursed on a pro rata basis by any new interconnection customers desiring to interconnect to LADWP system using common facilities paid for by the original interconnection customer). No funding consideration is being requested. This OATT, as amended, will remain effective until it is rescinded or a new amendment is approved by the City Council.

BACKGROUND

On October 2, 2001, the Board, followed by the City Council on March 13, 2002, approved the OATT pursuant to LAAC Section 23.134.

On June 3, 2014, the Board, followed by the City Council on July 1, 2014, approved Amendment No. 1 to the OATT pursuant to LAAC Section 23.134 (2014 OATT).

The 2017 OATT will update existing transmission and ancillary service rates, establish non-rate terms and conditions comparable to those under which LADWP provides transmission services to itself and that are not unduly discriminatory or preferential, and consolidate existing stand-alone tariff documents and business practices into the OATT. The 2017 OATT will also include the addition of network integration transmission service and generation redispatch provisions, incorporate real power losses (previously codified in business practices), and add power factor requirements for non-synchronous generation to LADWP's LGIA and LGIP.

LADWP is a Load Serving Entity (LSE) that owns and operates its transmission system, dispatches its generation resources, and make long-term power supply arrangements to meet its native load service obligations. However, to the extent there is transmission capacity available in excess of native load needs, the finite amount of available capacity on a given transmission line in any single hour, day, week, month, and year, may be made available to all eligible transmission customers through its OATT, and eligible transmission customers may purchase such available transmission capacity in accordance with the terms and conditions of the amended OATT.

LADWP accounts for the following types of transmission service:

- Firm Point-To-Point Transmission Service – transmission service that is reserved and/or scheduled between specified Points of Receipt(s) and Point(s) of Delivery at voltage level greater than 100 kilovolts (kV). The minimum term is one hour and the maximum term is specified in the Service Agreement (**Schedule 7**).

- Non-Firm Point-To-Point Transmission Service – transmission service at voltage level greater than 100 kV that is reserved and/or scheduled on an as-available basis and is subject to curtailment and interruption. Non-Firm Point-To-Point Transmission Service is available for periods ranging from one hour to one month (**Schedule 8**).

Transmission and Ancillary Services Rate Schedules

LADWP also offers additional services (e.g. Ancillary Services) to eligible transmission customers through the OATT. Some Ancillary Services must be purchased from LADWP as the transmission provider. These services include the following Ancillary Services, which LADWP provides and OATT customers are required to purchase only from LADWP pursuant to its OATT:

- **Schedule 1** – Scheduling, System Control, and Dispatch: scheduling and administering the movement of power through, out of, or within LADWP Balancing Authority Area.
- **Schedule 2** – Reactive Supply and Voltage Control from Generation Resources: operating generating facilities to produce reactive power, the portion of power due to stored energy, which returns to the source in each cycle, to maintain transmission voltages within acceptable limits.

In addition to services listed above, which transmission customers must purchase from LADWP, there are additional Ancillary Services that transmission customers must purchase from LADWP or self-supply through alternative comparable arrangements. These services include:

- **Schedule 3** – Regulation and Frequency Response: committing on-line generation whose output is raised or lowered as necessary to follow the moment-to-moment changes in load.
- **Schedule 4** – Energy Imbalance: provided when a difference occurs between the scheduled and the actual delivery of energy to load.
- **Schedule 5** – Operating Reserve, Spinning Reserve Service: needed to serve load immediately in the event of system contingency.
- **Schedule 6** – Operating Reserve, Supplemental Reserve Service: needed to serve load within 10 minutes of observed system contingency.
- **Schedule 9** – Generator Imbalance Service: provided when a difference occurs between the output of a generator located in the transmission provider's Balancing Authority Area and a delivery schedule from that generator to:
 1. Another Balancing Authority Area or;
 2. Load within the transmission provider's Balancing Authority Area over a single hour.

- **Schedule 10 – Generator Regulation and Frequency Response Service:** needed to provide continuous balancing of resources (generation and interchange) with load and for maintaining scheduled frequency at 60 Hertz (Hz).

Summary of Transmission and Ancillary Services Rate Charges

Table 1 below summarizes the proposed changes to LADWP OATT rates for each service schedule. LADWP proposes to decrease its rate for transmission service under Schedules 7 and 8 and ancillary services provided under Schedules 2, 3, and 10 and increase the rates for ancillary services Schedules 1, 5, and 6. Schedules 4 and 9 reference actual publicly available power cost information in the form of power index prices for the South of Path 26 (SP-15) Region.

Table 1 Summary of OATT Rates

Rate Schedule	Current OATT 2014 Rate (\$/kw-month)	Proposed OATT 2017 Rate (\$/kw-month)
Schedule 1 – Scheduling, System Control and Dispatch	\$0.109	\$0.119
Schedule 2 – Reactive Supply and Voltage Control	\$0.416	\$0.173
Schedule 3 – Regulation and Frequency Response	\$9.668 1.1% purchase obligation	\$6.247 1.885% purchase obligation
Schedule 5 – Operating Reserve – Spinning Reserve	\$7.84 6.4% purchase obligation	\$10.218 4.874% purchase obligation
Schedule 6 – Operating Reserve – Supplemental Reserve	\$0.865 5.3% purchase obligation	\$2.325 4.874% purchase obligation
Schedules 7 and 8 – Long-Term Firm, Short-Term Firm, and Non-Firm Transmission	\$3.749	\$2.936
Schedule 10 – Generator Regulation and Frequency Response	\$9.688 6.5% purchase obligation (variable resources) 1.059% purchase obligation (dispatchable resources)	\$6.247 6.627% purchase obligation (variable resources) 1.885% purchase obligation (dispatchable resources)

Summary of Non-Rate Term Revisions

In addition to the proposed rate changes described above, LADWP also proposes to revise a significant number of non-rate terms and conditions of the OATT. These

revisions include modifications implemented by FERC Order No. 1000's regional planning and cost allocation reforms and FERC Order No. 764's intra-hour scheduling requirements. In all cases, LADWP's proposed revisions are intended to establish non-rate terms and conditions of service that are comparable to those under which LADWP provides transmission services to itself and that are not unduly discriminatory or preferential, and are consistent with Section 211A of the Federal Power Act.

The 2017 OATT also consolidates a number of previous stand-alone tariff documents and business practices for ease of customer reference to be consistent with the organization of the *pro forma* OATT. The consolidated provisions include:

- 1) Attachment C – Methodology to Assess Available Transfer Capability
 - Rewritten to align with FERC *pro forma* and moved algorithms used to determine available transfer capability to a separate document as required by FERC.
- 2) Attachment E – Index of Point-To-Point Transmission Service Customers
 - No changes. Consolidated into the OATT.
- 3) Attachment K – Transmission Planning Procedure
 - Cross reference corrections made. The initial proposal included a rewritten Attachment K based upon the requirements of FERC Order No. 1000 and incorporating WestConnect's regional transmission planning processes and the Western Interconnection's interregional transmission coordination procedures.
- 4) Attachment L – Creditworthiness Procedure
 - Modified to align with FERC *pro forma*.
- 5) Attachment M – Large Generator Interconnection Procedures
 - Modified to align with FERC *pro forma* and to address lessons learned from implementation. The initial proposal included the FERC *pro forma* LGIP.
- 6) Transmission Credit Policy Business Practice
 - No changes. Consolidated into the OATT.
- 7) LADWP Transmission and Ancillary Service Rates
 - Changes made to these rates. Consolidated into the OATT.
- 8) Real Power Loss Factors
 - No changes. Consolidated into the OATT.
- 9) SP15 Prices for Loss Calculation.
 - No changes. Consolidated into the OATT.

LADWP also proposes additional OATT sections, pursuant to which LADWP will offer Network Integration Transmission Service (NITS), as well as provisions for generator redispatch, incorporation of language on real power losses into Schedules 4 and 9, and

adding power factor requirements for non-synchronous generation to the large generator interconnection agreement and large generator interconnection procedures.

The NITS tariff provisions will allow eligible customers to integrate, economically dispatch and regulate current and planned network resources to serve network load in a manner comparable to that in which the transmission provider utilizes its transmission system to serve its native load customers. Network customers will pay for their proportionate share of LADWP's transmission revenue requirement based on the "load share ratio" at the time of LADWP's monthly peak hour. The 2017 OATT includes all of the necessary terms and conditions for NITS, including the application process and associated service and operating agreements, necessary network resource and network customer information, applicable real power loss factors, and required studies.

Because LADWP does not currently offer NITS, the NITS tariff provisions have a delayed effective date to allow LADWP sufficient time to procure and implement software upgrades, train personnel, and develop transmission business practices. The 2017 OATT requires that NITS be available to eligible customers by no later than February 1, 2019. Additionally, NITS is closely tied to redispatch, as network customers agree to redispatch network resources if requested by the transmission provider on a least-cost, non-discriminatory basis.

The proposed revisions incorporating NITS, redispatch along with the additional miscellaneous changes move LADWP's OATT more closely into alignment with FERC's *pro forma* OATT.

Summary of Stakeholder Outreach Process

On January 17, 2017, as part of the OATT approval process, LADWP commenced a public-stakeholder process regarding proposed amendments to the wholesale-transmission rates and non-rate terms of LADWP's OATT. This process provided the opportunity for public comments on the updated OATT.

LADWP posted a Cost of Service Study (COSS) performed by independent, third-party consultants, which assessed LADWP's costs for providing wholesale-electric transmission service. The COSS was supplemented by testimony explaining the COSS and its results, and the COSS was supported by a functional analysis of LADWP's transmission and related facilities to determine the facilities classified for ratemaking purposes as transmission, consistent with FERC's seven-factor test and *Mansfield* analyses.

LADWP also posted proposed amendments to the OATT's non-rate terms and conditions. The FERC *pro forma* OATT, FERC Order No. 1000 concerning regional planning and cost allocation, and FERC Order No. 764 concerning intra-hour scheduling guided the proposed non-rate amendments to the OATT.

On February 21, 2017, LADWP posted additional proposed OATT amendments which included the addition of NITS and generation redispatch provisions, incorporating real power losses and adding power factor requirements for non-synchronous generation to LADWP's large generator interconnection agreement and large generator interconnection procedures.

LADWP conducted five public stakeholder meetings addressing the COSS and proposed OATT amendments, and responded to 372 stakeholder requests for information. LADWP received written stakeholder comments from Powerex Corporation and the cities of Anaheim, Azusa, Banning, Burbank, Colton, Glendale, Pasadena and Riverside.

In response to stakeholders' questions, which are discussed in detail in the attached General Manager's Certificate, LADWP's General Manager recommended changes to the COSS and non-rate terms and conditions of the OATT to better align the rate methodology with FERC precedent and industry practice. The Cities of Burbank and Glendale filed a dispute of the findings in the General Manager's Certificate, and LADWP conducted a dispute-resolution meeting with Burbank and Glendale as required under the public-stakeholder process. No changes were made to the 2017 OATT as result of the dispute as these comments were similar to those filed during the stakeholder process that had been previously evaluated. Documents filed in the public-stakeholder process are available on LADWP's OASIS website at <http://www.oasis.oati.com/ladwp/index.html> in the folder **DWP Notices\LADWP 2017 OATT Stakeholder Process**.

City Administrative Officer (CAO) Report

The CAO Report is attached.

ENVIRONMENTAL DETERMINATION

In accordance with Section 15060 (c)(3) of the California Environmental Quality Act (CEQA) Guidelines, an activity is not subject to CEQA if it does not meet the definition of a project. Section 15378 (b)(4) states that government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment do not meet that definition. Therefore an amendment to an open access transmission tariff that updates the standard rates, terms and conditions for open access transmission service to comply with the Los Angeles City Charter and LADWP's operational requirements, is not subject to CEQA.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved the 2017 OATT and Resolution as to form and legality.

ATTACHMENTS

- Resolution
- Amendment No. 2 to Agreement No. BP 01-017 (2017 OATT)
- General Manager Certificate
- CAO Report