

COMMUNICATION FROM CHAIR AND MEMBER, ENERGY AND ENVIRONMENT COMMITTEE and ORDINANCE FIRST CONSIDERATION relative to proposed Amendment No. 1 to Los Angeles Department of Water and Power (LADWP) Open Access Transmission Tariff (OATT) Agreement No. BP 01-017 to update the rates, terms, conditions, and procedures.

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

1. CONCUR with the Board of Water and Power Commissioners' (Board) action of June 3, 2014, Resolution No. 014-226, authorizing Amendment No. 1 to LADWP OATT Agreement No. BP 01-017 to update the rates, terms, conditions, and procedures.
2. PRESENT and ADOPT the accompanying ORDINANCE amending Section 23.133 of Article 3 of Chapter 7 of Division 23 of the Los Angeles Administrative Code (LAAC) approving the LADWP's OATT and providing the Board the authority to enter into agreements for interconnecting large electric generating facilities to the LADWP's Transmission System.

Fiscal Impact Statement: The City Administrative Officer reports that approval of Resolution No. 014-226 is anticipated to impact the Power Revenue Fund with a \$1.7 million reduction in annual revenue for transmission services and related ancillary services. There is no impact to the City's General Fund. The proposed Agreement complies with the LADWP's adopted Financial Policies.

Community Impact Statement: None submitted.

Summary:

On June 27, 2014, the Chair and one member of the Energy and Environment Committee considered June 5, 2014 Board, May 8, 2014 CAO, and June 19, 2014 City Attorney reports, Resolution No. 014-226, and Ordinance relative to proposed Amendment No. 1 to LADWP OATT Agreement No. BP 01-017 to update the rates, terms, conditions, and procedures. According to the CAO, the LADWP is requesting approval of a proposed resolution that authorizes the Board to execute several agreements relating to Amendment No. 1 to the OATT Agreement No. BP 01-017. The proposed Amendment updates the standard rates, terms, and conditions to comply with the City Charter, LADWP operational requirements as well as in accordance with industry standards. The Amendment also includes standard large generator interconnection procedures (LGIP) and large generation interconnection agreement (LGIA) for non-discriminatory interconnection of new electric generating facilities to the LADWP transmission grid.

Pursuant to City Charter Section 674, by Ordinance, approval of the proposed resolution specifically provides authority to the Board to execute the following agreements:

- a. Amendment No. to the OATT Agreement No. BP 01-017, dated January 2014.
- b. Amendment to Section 23.133(a) of the LAAC authorizing the Board to delegate to the General Manager of DWP the authority to enter into any transmission service agreements which do not exceed three years in duration pursuant to the OATT.
- c. An Ordinance providing the Board with independent authority to enter into LGIA governing interconnections of electric generating facilities having a capacity greater than 20 MW to

the DWP transmission system in the form of a standard LGIA included in the OATT, with a minimum term of ten years and automatic annual-renewals until canceled pursuant to the terms of the LGIA.

As proposed, the amended OATT will remain effective until it is rescinded or a new amendment is approved by Council. The proposed resolution has been reviewed by the City Attorney and approved as to form and legality.

As a Load Serving Entity (LSE) that owns and operates its transmission system, the LADWP generates and acquires sufficient levels of energy to meet the demands of its customers. To the extent there is surplus capacity on a transmission line at any time, eligible transmission customers may purchase the available capacity in accordance with the terms and conditions of the OATT. The existing OATT was approved by the Board in October 2001 and by Council on March 20, 2002 to enable the LADWP to offer open access transmission service in a non-discriminatory manner to all eligible transmission customers on the LADWP transmission grid (Council File No. 01-2160).

The LADWP is a municipal utility that is not generally subject to Federal Energy Regulatory Commission jurisdiction over rates for wholesale sales or transmission service in interstate commerce; however, the LADWP voluntarily provides open access transmission and interconnection services on a comparable and non-discriminatory basis to all qualified transmission and interconnection service customers. Revenue from transmission sales during the three fiscal years 2011 through 2013 total approximately \$72.6 million with an annual average of \$24.2 million.

The proposed amendment updates the rates, terms, and conditions for open access transmission service and ancillary services including standard LGIP and LGIA for interconnection of large electric generating facilities having a capacity greater than 20 MW. Details regarding the proposed schedules, services, and rates are provided on Exhibit A and Exhibit B of the May 8, 2014 CAO report, attached to the Council file. According to the LADWP, approval of the proposed Amendment results in benefits to the ratepayers consisting of additional revenues on transmission service capacity that is in excess of DWP load requirements. This additional revenue helps offset costs that are otherwise paid through LADWP retail customers. The proposed updated OATT also benefits the LADWP's transmission and interconnection customers by providing availability of excess LADWP transmission capacity to eligible transmission customers in a non-discriminatory manner.

After consideration and having provided an opportunity for public comment, the Committee Chair moved to recommend approval of Resolution No. 014-226 and the accompanying Ordinance as detailed in the above recommendations. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

COUNCILMEMBER FELIPE FUENTES, CHAIR
ENERGY AND ENVIRONMENT COMMITTEE

MEMBER VOTE

FUENTES: YES
BLUMENFIELD: YES
LABONGE: ABSENT
HUIZAR: ABSENT
KORETZ: ABSENT

ARL

6/27/14

-NOT OFFICIAL UNTIL COUNCIL ACTS-