



BOARD LETTER APPROVAL

A handwritten signature in blue ink, reading "Michael S. Webster", is positioned above a horizontal line.

**MICHAEL S. WEBSTER**  
Executive Director – Power System  
Engineering and Technical Services

A handwritten signature in blue ink, reading "Marcie L. Edwards", is positioned above a horizontal line.

**MARCIE L. EDWARDS**  
General Manager

**DATE:** October 2, 2015

**SUBJECT:** Balancing Authority Area Services Agreement between the Los Angeles Department of Water and Power (LADWP) and the City of Burbank (Burbank), DWP No. BP 15-025, and the Balancing Authority Area Services Agreement between LADWP and the City of Glendale (Glendale), DWP BP No. BP15-026 (collectively Balancing Services Agreements)

**SUMMARY**

Pursuant to these Balancing Services Agreements, LADWP will provide Balancing Authority Area (BAA) services to Burbank and Glendale in accordance with the terms and conditions and the rates and procedures as set forth in the respective Balancing Services Agreements.

City Council approval by Ordinance is required, pursuant to the City of Los Angeles Charter (Charter) Sections 101 and 674(a)(1).

**RECOMMENDATION**

It is requested that the Board of Water and Power Commissioners (Board) adopt the attached Resolution recommending City Council's approval of the execution of these Balancing Services Agreements and a delegation of authority authorizing the Board to act on and approve all future amendments to the Balancing Services Agreements, without further approval of City Council, provided that such amendments relate to technical modifications to LADWP's, Burbank's or Glendale's respective electrical system or compliance with the NERC Reliability Standards, and do not increase the costs or extend the term of these Balancing Services Agreements.

**ALTERNATIVES CONSIDERED**

The Balancing Services Agreements enables LADWP, as the Balancing Authority (BA), to provide the BAA services of Regulation and Frequency Response, Energy

Imbalance, Spinning Reserves, and Supplemental Reserves, therefore no other alternative has been considered.

## **FINANCIAL INFORMATION**

It is expected that these Balancing Services Agreements will be a source of revenue for LADWP.

Because Burbank and Glendale are uniquely situated as load serving entities within LADWP's BAA, the parties negotiated a Balancing Authority Area Services Agreement with terms and conditions, and rates and procedures that address this unique relationship. Since the BAA services are similar to the ancillary services under LADWP's Open Access Transmission Tariff (OATT), during the negotiations, LADWP proposed the rates developed using the Cost of Service Study (COSS) as a basis for the rates to charge Burbank and Glendale. LADWP's OATT rates for transmission and ancillary services were developed pursuant to the COSS and were adopted by the Board and approved by Ordinance 183143 by the City Council on August 14, 2014. Any future amendments, as approved by the Board and City Council, to LADWP's OATT rates will be automatically reflected and applied to the services provided within the Balancing Services Agreements.

The estimated annual revenue for each Agreement is \$3.5 million or a total estimated annual revenue of \$7 million for both Agreements.

## **BACKGROUND**

LADWP, as a registered BA with North American Electric Reliability Corporation (NERC), maintains load, interchange and generation balance within its BAA and supports Interconnection frequency in real time. As a BA, LADWP must be in compliance with the NERC Reliability Standards as set forth in Section 215(a)(3) of the Federal Power Act, 16 U.S.C. §824o(a)(3), or any successor legislation.

Burbank and Glendale are both load serving entities located within LADWP's BAA and are each requesting BAA services from LADWP. LADWP is able to provide these services which will include ancillary services for Regulation and Frequency Response, Energy Imbalance, Operating-Spinning Reserve, and Operating-Supplemental Reserve.

The BAA services are described below:

- "Regulation and Frequency Response Service is necessary to provide for the continuous balancing of resources (generation and interchange) with load and for maintaining scheduled Interconnection frequency at sixty cycles per second (60HZ)."
- "Energy Imbalance Service is provided when a difference occurs between the scheduled and the actual delivery of energy to a load located within a BAA over a single hour."

- “Spinning Reserve Service is needed to serve load immediately in the event of a system contingency. Spinning Reserve Service may be provided by generating units that are on-line and loaded at less than maximum output and by non-generation resources capable of provided this service.”
- “Supplemental Reserve Service is needed to serve load in the event of a system contingency; however, it is not available immediately to serve load but rather within a short period of time. Supplemental Reserve Service may be provided by generating units that are on-line but unloaded, by quick-start generation or by interruptible load or other non-generation resources capable of providing this service.”

The Balancing Services Agreements establish the procedures, rates and payment for these services. They also enable Burbank and Glendale to self-supply spinning and supplemental reserves and receive commensurate credit for such self-supply.

Burbank and Glendale schedule energy exchange between their systems and the LADWP system. In the past, both Burbank and Glendale have not controlled their respective systems, and this has resulted in high deviations between scheduled and actual energy exchange. This has also caused an energy imbalance burden on the LADWP system.

These Balancing Services Agreements are the result of cooperation and negotiation between the Parties, with the intent to document the rate, terms and conditions and procedures for these BAA services.

Per Charter Sections 101 and 674(a)(1), Los Angeles City Council approval by Ordinance is required. Accordingly, attached is the City Administrative Officer (CAO) Report dated September 28, 2015.

### **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)(5) states that organizational or administrative activities that will not result in direct or indirect physical changes in the environment do not meet that definition. Therefore the agreements authorizing LADWP to provide BAA services are not an action subject to CEQA.

### **CITY ATTORNEY**

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

### **ATTACHMENTS**

- Resolution
- Draft Ordinance
- Agreement No. BP 15-025
- Agreement No. BP 15-026
- CAO Report