



MICHAEL N. FEUER
CITY ATTORNEY

REPORT NO. R 1 5 - 0 2 8 2
OCT 2 2 2015

REPORT RE:

DRAFT ORDINANCE APPROVING THE BALANCING AUTHORITY AREA SERVICES AGREEMENT BETWEEN THE LOS ANGELES DEPARTMENT OF WATER AND POWER AND THE CITY OF BURBANK, DWP NO. BP15-025, AND THE BALANCING AUTHORITY AREA SERVICES AGREEMENT BETWEEN THE LOS ANGELES DEPARTMENT OF WATER AND POWER AND THE CITY OF GLENDALE, DWP NO. BP15-026

The Honorable City Council
Of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, California 90012

Honorable Members:

This Office has prepared and now transmits for your consideration the enclosed draft ordinance, approved as to form and legality. This draft ordinance: (1) approves the Balancing Authority Area Services Agreement between Los Angeles Department of Water and Power (LADWP) and the City of Burbank (Burbank), DWP No. BP15-025 (LADWP-Burbank Balancing Services Agreement); (2) approves the Balancing Authority Area Services Agreement between LADWP and the City of Glendale (Glendale), DWP No. BP15-026 (LADWP-Glendale Balancing Services Agreement); and (3) authorizes the Board of Water and Power Commissioners (Board), to act on and approve all future amendments to the LADWP-Burbank Balancing Services Agreement and the LADWP-Glendale Balancing Services Agreement, provided that such amendments relate to technical modifications to LADWP's, Burbank's, or Glendale's electrical system or compliance with the North American Electric Corporation (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, and do not increase the costs or extend the term of said agreements without further City Council approval.

Background

LADWP, as a registered Balancing Authority (BA) with NERC maintains load, interchange and generation balance within its Balancing Authority Area (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.

Because Burbank and Glendale are uniquely situated as load serving entities within LADWP's BAA, the parties negotiated a Balancing 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 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.

It is expected that these Balancing Services Agreements will be a source of revenue for LADWP. The estimated annual revenue for each Agreement is \$3.5 million or total estimated annual revenue of \$7 million for both Agreements.

Charter Requirements

Charter Sections 674(a)(1) provides that, subject to approval by ordinance, the Board of Water and Power Commissioners has the power to approve contracts with the United States, or any of its agencies, any state or any state agency, and any corporation, public or private, located inside or outside of the City or State of California for the construction, ownership, operation and maintenance of facilities for the generation, transformation and transmission of electric energy that provides for a

sharing of benefits and of the capital charges and other obligations associated with those facilities.

CEQA Findings

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 actions subject to CEQA.

Council Rule 38 Referral

This draft ordinance has been presented to the Board of Water and Power Commissioners pursuant to Council Rule 38.

If you have any questions regarding this matter, please contact Deputy City Attorney Syndi Driscoll at (213) 367-4363. She or another member of this Office will be present when you consider this matter to answer any questions you may have.

Very truly yours,

MICHAEL N. FEUER, City Attorney

By 
DAVID MICHAELSON
Chief Assistant City Attorney

DM:SD:pj
Transmittal