

## Agenda Report

July 19, 2010

**To:** CITY COUNCIL

**From:** WATER AND POWER DEPARTMENT

**Subject:** AUTHORIZATION TO EXECUTE AN INTERCONNECTION AGREEMENT, RELIABILITY STANDARDS AGREEMENT, AND A REPLACEMENT AZUSA HYDRO TRANSMISSION AGREEMENT BETWEEN THE CITY OF PASADENA AND THE SOUTHERN CALIFORNIA EDISON COMPANY

### **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the following proposed actions are exempt from review pursuant to the California Environmental Quality Act (CEQA), pursuant to State CEQA Guidelines, Class 1, Section 15301, Existing Facilities; and
2. Authorize the City Manager to:
  - a. Execute an Interconnection Agreement with the Southern California Edison Company (SCE) that incorporates terms and conditions as generally described below to maintain the City of Pasadena's (Pasadena) connection to the western electric power grid for importing long term contracted and spot market purchases of electric energy and capacity to serve its customers;
  - b. Execute a Reliability Standards Agreement with SCE that explicitly defines the terms, conditions, operational and fiscal responsibilities for meeting North American Electric Reliability Council (NERC) reliability standards; and
  - c. Execute an Azusa Hydro Dam Power Delivery Agreement with SCE that clearly specifies the terms and conditions under which SCE will transfer power from the Azusa Hydro plant to the City pursuant to the June 20, 1933, Corporation Grant Deed.

These proposed agreements are exempt from competitive bidding pursuant to City Charter Section 1002(C), contracts for labor, material, supplies, or services available from only one vendor.

## **EXECUTIVE SUMMARY:**

The City of Pasadena imports approximately 85% of its electricity requirements through its transmission interconnection with the western electricity grid and the California Independent System Operator (CAISO) through SCE at the TM Goodrich Receiving Station (Pasadena Interconnection). The interconnection with SCE has heretofore been governed by two agreements signed 40 years ago with SCE. These two agreements will expire August 3, 2010 and will be replaced with three agreements extending the terms of the interconnection agreements. In addition to maintaining Pasadena Water and Power's (PWP) interconnection with the CAISO, the three new agreements will increase the maximum allowable imported energy from 200MW to 336MW per hour, define specific power delivery terms for Pasadena's owned Azusa Hydro plant and set forth terms, rights, and obligations of PWP and SCE with respect to meeting NERC requirements. NERC is a self-regulatory organization subject to oversight by the Federal Energy Regulatory Commission. NERC has legal authority to enforce reliability standards with all users, owners, and operators of transmission systems in the United States including PWP.

## **BACKGROUND:**

On August 4, 1970, Pasadena and SCE (Parties) executed the following agreements to allow transfer of electricity from SCE's transmission system to Pasadena at TM Goodrich receiving station.

- (a) Pasadena-Edison 230 kV Interconnection and Transmission Agreement ; and
- (b) Pasadena-Edison 230 kV Interchange Agreement.

The agreements mainly provided for the division of responsibilities for the construction, operation, maintenance and operational protocols; and delivery of energy from Pasadena's owned Azusa Hydro plant located in the City of Azusa, California. Both contracts expire on August 3, 2010.

On January 1, 2005, Pasadena became a Participating Transmission Owner and transferred operational control of its transmission system including TM Goodrich interconnection system to CAISO. Due to considerable changes in operating and regulatory compliance requirements since these agreements were initially executed, Pasadena and SCE have negotiated currently applicable terms and conditions. The three proposed agreements divided by relevant matters, sets the terms, rights, and obligations of the Parties as follows:

### **1. Interconnection Agreement:**

Most terms provided under the proposed Interconnection Agreement are similar to the existing agreement. The major provisions include:

- A. Increase the electricity transfer capacity from 200 MW to 336 MW;

- B. Provide for an evergreen agreement with Pasadena's unilateral right to terminate with 24 month's notice;
- C. Pasadena to be responsible to meet CAISO interconnection regulations; and
- D. Determine the processes, designs, cost responsibilities, and allocations of any capital additions at the TM Goodrich receiving station.

2. Reliability Standards Agreement:

Due to NERC and other evolving regulatory compliance requirements, it was mutually agreed that Operations and Maintenance (O&M) procedures and responsibilities would be defined under a separate Reliability Standards Agreement (RSA). The RSA is intended to be an interim agreement, initially valid for two years during which time longer term responsibilities, obligations, and operational details will be developed. The currently proposed agreement:

- A. Defines the Parties' respective roles and responsibilities for operation, maintenance, and reporting that will comply with NERC Reliability Standards rules;
- B. Provides that SCE shall continue to provide O&M services and NERC compliance documentation for Pasadena owned CAISO-controlled interconnection at Pasadena's cost; and
- C. Provides that Pasadena will be responsible for NERC compliance responsibilities as Transmission Owner and Transmission Planner, whereas SCE will be responsible as Transmission Operator.

3. Azusa Hydro Agreement:

This agreement is very similar to the existing agreement for delivery of power from the Azusa Hydro plant but modifies power delivery location that is more relevant under CAISO tariff. Under the proposed agreement SCE will accept delivery of energy from the Azusa Hydro plant, bank it up to twelve months, and deliver the accumulated power when required by Pasadena up to 15 MW per hour.

**COUNCIL POLICY CONSIDERATION**

Execution of these three agreements would help import a greater amount of renewable energy through TM Goodrich Interconnection to meet the Council's Urban Accord goal of a higher renewable energy percentage.


**ENVIRONMENTAL ANALYSIS:**

The project has been reviewed for compliance with the California Environmental Quality Act (CEQA) and is exempt per Section 15301, Existing Facilities. This exemption applies to projects that involve negligible or no expansion of an existing use. The proposed project consists of amendments to existing agreements. The proposed Interconnection Agreement will authorize an increase in the maximum contractual transfer capacity from current 200 MW to 336 MW. No new development or physical changes however, are required to accommodate this increase or any of the other proposed agreement amendments.

**FISCAL IMPACT:**

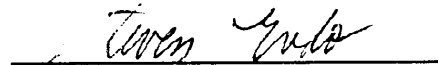
The new Interconnection, Reliability Standards, and Azusa Hydro Agreements are not expected to have appreciable rate impact. SCE would maintain the system at PWP's expense, and PWP would in turn get reimbursed by CAISO under its current tariff. PWP expects to incur a relatively small administrative cost mainly for its and SCE's staff time for recordkeeping and supporting audits for NERC and other regulatory compliance requirements.

Respectfully submitted,



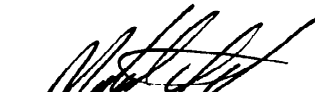
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