Legislation Details (With Text)

File #:	18-969 **Version:** 1	**Name:**	
Type:	Consent Calendar	**Status:**	Agenda Ready
File created:	7/3/2018	**In control:**	Council and Authorities Concurrent Meeting
On agenda:	7/17/2018	**Final action:**	
Title:	Action on the Interconnection Agreement between City of Santa Clara dba Silicon Valley Power and Pacific Gas & Electric Company and related Joint Offer of Settlement Agreement		
Sponsors:			
Indexes:			
Code sections:			
Attachments:	1. Revised 2017 Interconnection Agreement between the City of Santa Clara and PG&E, 2. Joint Offer of Settlement between the City of Santa Clara and PG&E, 3. Explanatory Statement ER17-1735		

Date	Ver.	Action By	Action	Result
7/17/2018	1	Council and Authorities Concurrent Meeting	Approved the Consent Calendar	

REPORT TO COUNCIL

SUBJECT

Action on the Interconnection Agreement between City of Santa Clara dba Silicon Valley Power and Pacific Gas & Electric Company and related Joint Offer of Settlement Agreement

BACKGROUND

The Electric Utility of the City of Santa Clara, doing business as Silicon Valley Power ("SVP"), is directly interconnected with the electric system of Pacific Gas and Electric Company ("PG&E"). On September 1, 2002, the Interconnection Agreement ("2002 IA") became effective as the primary agreement governing the interconnected nature of the two systems. The 2002 IA was set to terminate on July 31, 2017. In order to prevent a gap in the contractual arrangements between PG&E and SVP, a successor agreement was required to be filed with the Federal Energy Regulatory Commission ("FERC") sixty (60) days prior to the termination of the 2002 IA, or May 31, 2017.

SVP and PG&E worked toward a successor agreement to the 2002 IA for nearly five years prior to its termination, but were not able to timely resolve all areas of disagreement. The most significant of the outstanding issues involved how the successor IA would treat two PG&E-owned 115 kV transmission lines that are located between SVP's Northern Receiving Station ("NRS") and SVP's Scott Receiving Station ("SRS"). These lines are known as "NRS-SRS No. 1 Line" and "NRS-SRS No. 2 Line", or collectively the "NRS-SRS Lines". The NRS-SRS Lines became encapsulated between SVP's receiving stations concurrent with the energization of SVP's NRS in 2002, and are located within SVP's service territory.

On May 23, 2017, the Council voted unanimously to approve and authorize the City Manager or her designee to execute a successor IA once negotiations and/or a hearing concluded and FERC approved it, subject to final review by the City Attorney's Office; and further authorized the City Manager or her designee to execute any future amendments to the successor IA between SVP and

PG&E, subject to final review by the City Attorney's Office.

On May 31, 2017, since SVP and PG&E were unable to resolve all of their issues with respect to a successor IA to the 2002 IA, PG&E filed with FERC an unexecuted replacement IA, including its preferred resolution of the NRS-SRS Lines issue as a part of the filing package. This IA was effective as of August 1, 2017, and known as the "2017 IA".

DISCUSSION

Facilitated by a FERC-designated Settlement Judge, SVP Staff, assisted by outside counsel, successfully negotiated a Joint Offer of Settlement and an Interconnection Agreement (the successor to the 2017 IA filed unilaterally by PG&E, known as the "Revised 2017 Interconnection Agreement", or "Revised 2017 IA") with PG&E. Pursuant to the FERC's Practice and Procedure, the "Explanatory Statement in Support of the Joint Offer of Settlement and Request for Expedited Consideration" is attached which generally describes the contents for the Joint Offer of Settlement for the Revised 2017 IA.

Joint Offer of Settlement

The Joint Offer of Settlement document sets forth the issues that have been resolved between SVP and PG&E in the FERC-designated Settlement Judge proceedings. First, the Joint Offer of Settlement sets forth the key changes in the Revised 2017 IA from the 2017 IA, and includes, as an attachment, the Revised 2017 IA. Second, the Joint Offer of Settlement details the additional issues that have been resolved between SVP and PG&E. The most important of the additional resolved issues relates to the NRS-SRS Lines. In order to ensure the reliability of SVP's electric system, both of the NRS-SRS Lines must be upgraded ("reconductored") in the near future. In the Joint Offer of Settlement, SVP and PG&E have agreed that:

- PG&E is responsible for all of the costs associated with reconductoring the NRS-SRS No. 1 Line, and
- SVP will pay a negotiated sum of $1,816,896 related to the reconductoring, and a negotiated sum of $1,183,104 constituting an Equivalent One-Time Charge in lieu of monthly Cost of Ownership Charges (operation and maintenance costs), for the NRS-SRS No. 2 Line - resulting in a total SVP payment of $3,000,000.

As a point of reference, the California Independent System Operator Corporation's 2017-2018 Transmission Plan states that the cost of merely reconductoring these two lines (without any operation and maintenance charges included) is expected to be approximately $5 to $10 million. In addition, and of great importance to SVP for the continued reliability of its electric system, PG&E agreed in the Joint Offer of Settlement to use best efforts to begin this work on January 1, 2019 and complete work no later than March 29, 2019, in time for SVP's summer peak load, subject to certain conditions.

Revised 2017 Interconnection Agreement

The Revised 2017 IA is the negotiated successor agreement to the 2017 IA unilaterally filed by PG&E. The Revised 2017 IA includes most of the same provisions as the 2017 IA, but with several key changes, including several related to the treatment of the NRS-SRS Lines. The key changes from the 2017 IA that are included in the Revised 2017 IA are set forth in the Joint Offer of Settlement.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment.

FISCAL IMPACT

The approval of the Joint Offer of Settlement between SVP and PG&E includes an SVP expense of $3,000,000, of which $1,816,896 is associated with the reconductoring of the NRS-SRS No. 2 Line, and $1,183,104 constitutes an Equivalent One-Time Charge in lieu of monthly Cost of Ownership Charges (operation and maintenance), for the NRS-SRS No. 2 Line. Sufficient funds are available in the Electric Department’s CIP (Install Phase Shifting Transformer at NRS).

COORDINATION

This report has been coordinated with the Finance Department and City Attorney’s office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City’s official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City’s website and in the City Clerk’s Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk’s Office at (408) 615-2220, email clerk@santaclaraca.gov <mailto:clerk@santaclaraca.gov> or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

1. Approve and authorize the execution of the Revised 2017 Interconnection Agreement between the City of Santa Clara, doing business as SVP, and PG&E; and

2. Approve and authorize the execution of the Joint Offer of Settlement between the City of Santa Clara, doing business as SVP, including authorizing the expenditure of $3,000,000 related to (a) the cost of reconductoring, and (b) a one-time, lifetime, payment of operation and maintenance costs - of a certain PG&E-owned transmission line as set forth in that Joint Offer of Settlement.

Reviewed by: John C. Roukema, Chief Electric Utility Officer
Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Revised 2017 Interconnection Agreement between the City of Santa Clara and PG&E
2. Joint Offer of Settlement between the City of Santa Clara and PG&E
3. Explanatory Statement ER17-1735