



Agenda Report

19-966

Agenda Date: 10/8/2019

REPORT TO COUNCIL

SUBJECT

Action on the Transmission Agency of Northern California Project Agreement No. 6 for Regulatory Engagement in Participating Transmission Owner Cases before the Federal Energy Regulatory Commission

BACKGROUND

The Transmission Agency of Northern California (TANC) is a joint powers agency established by a group of California publicly-owned utilities, including the City of Santa Clara doing business as Silicon Valley Power (SVP), the Cities of Alameda, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, and Ukiah, as well as the Modesto Irrigation District, the Sacramento Municipal Utility District, the Turlock Irrigation District, and the Plumas-Sierra Rural Electric Cooperative (Participating Members), with the purpose of providing electric transmission operation and maintenance services for the California Oregon Transmission Project (COTP). The COTP consists of 340 miles of 500-kV AC transmission line between Southern Oregon and Central California. In addition, TANC, on behalf of its Participating Members, also engages in certain regulatory forums, including before the Federal Energy Regulatory Commission (FERC), in order to protect the value of TANC's transmission assets and to support the Participating Members by striving to limit the Participating Members' exposure to transmission cost when transacting in the California Independent System Operator (CAISO) markets.

TANC has historically placed particular focus on the Pacific Gas and Electric Company's (PG&E) transmission owner (TO) rate cases due to the significant impact that rate cases may have on the transmission rates under TANC's South of Tesla Principles (SOTP) existing transmission contract with PG&E. Currently, TANC's cost associated with TO rate cases is allocated to TANC Members based on their transmission capacity entitlements under the South of Tesla Agreement (SOT). Some Participating Members have opted to temporarily lay off their SOTP transmission entitlement and therefore currently are not paying for TANC's cost of engaging in TO rate cases. TANC and the Participating Members have determined that it is appropriate to implement a revised cost allocation mechanism to be used by TANC for allocating certain legal and subject matter expertise costs that are associated with TANC's engagement in TO rate cases and other related transmission activities to all SOTP owners, including SOTP owners who have laid off their transmission entitlement. Project Agreement No. 6 (PA6) sets forth the revised cost allocation mechanism that is fair and equitable to all Participating Members.

DISCUSSION

The cost of TANC's engagement in TO rate cases are reimbursed at actual cost up to a budgeted maximum amount of \$825,000 for FY 2019-2020. Prior to the proposed Project Agreement No. 6 (PA6), SVP's portion would be a maximum of \$222,750. Under the proposed cost allocation in PA6, the SVP's portion would be reduced to a maximum of \$214,500.

Staff recommends the City Council authorize the City Manager to execute the Transmission Agency of Northern California Project Agreement No. 6 for Regulatory Engagement in Participating Transmission Owner Cases before the Federal Energy Regulatory Commission

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(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.

FISCAL IMPACT

The cost proposed by PA6 was included in the FY 2019-2021 budget. Under the proposed PA6 cost allocation, SVP will realize a maximum savings of \$8,250. Staff will continue to monitor Resources and Production costs and bring forward any budget amendment at a later date, if necessary.

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

Authorize the City Manager to execute the Transmission Agency of Northern California Project Agreement No. 6 for Regulatory Engagement in Participating Transmission Owner Cases before the Federal Energy Regulatory Commission.

Reviewed by: Manuel Pineda, Chief Electric Utility Officer

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Transmission Agency of Northern California Project Agreement No. 6