



CITY OF
**PALO
ALTO**

City Council Staff Report

From: City Manager

Report Type: CONSENT CALENDAR

Lead Department: Utilities

Meeting Date: June 3, 2024

Staff Report: 2403-2725

TITLE

Recommendation to Adopt a Resolution Authorizing the City Manager or Their Designee to Execute the Transmission Owner Rate Case Program Agreement With Northern California Power Agency; CEQA Status: Not a Project Under CEQA Guidelines Section 15378(a)

RECOMMENDATION

Staff recommends the City Council adopt a Resolution (Attachment A) to authorize the City Manager, or their designee, to execute the Transmission Owner Rate Case Program Agreement (Exhibit A to Attachment A) with Northern California Power Agency (NCPA) for the City of Palo Alto (City) to participate in NCPA's Transmission Owner Rate Case Program.

EXECUTIVE SUMMARY

The purpose of the proposed new NCPA Transmission Owner (TO) Rate Case Program is to advocate to preserve the value of transmission owned by members and to contain California Independent System Operator (CAISO) transmission costs, by monitoring, analyzing, and participating in TO rate cases and any appeals before the Federal Energy Regulatory Commission (FERC) and engaging in related filings as necessary.

The City has participated in TO Rate Cases and other activities through the Transmission Agency of Northern California (TANC) for several years through 2023. The TO Rate Case advocacy work via TANC provided between \$400,000-\$800,000 in benefits to the City per year over the past several years. At the end of 2023 some TANC members decided to no longer jointly fund litigation and other activities related to the annual TO Owner Rate Cases.

Utilities staff and several other utility members of the joint powers agency NCPA continued the successful work on transmission rate advocacy which has culminated in the NCPA's Transmission

Owner Rate Case Program Agreement, attached.¹ The work will be funded by a subset of NCPA member utilities who are also in the CAISO.

The cost to the City is expected to be approximately \$50,000-\$100,000 per year, with the goal of achieving, via the City's participation, an average savings of approximately \$400,000 per year in lower transmission charges.

On March 28, 2024 the NCPA Commission approved the Transmission Owner Rate Case Program Agreement. The City Council authorization for the City Manager or designee to execute the Transmission Owner Rate Case Program Agreement is required for the City to participate.

ANALYSIS

The key terms include the following:

- *Contract Term* – ongoing unless terminated by consent of all parties (Section 4.2).
- *Price* – costs are allocated based on each participant's share as stated in the City's existing Power Management and Administrative Services Agreement with NCPA (Section 6.1); the City's share is 11.64% of the anticipated average of \$600,000 per year, or \$70,000 for this year. Previously this advocacy was jointly funded by all members of TANC, but Palo Alto's cost share was similar.
- *Withdrawal Right* – requires at least two-year notice of withdrawal from the TO Rate Case Program Agreement, effective on the last day of a fiscal year (Section 5.2). All obligations incurred by withdrawing participant remain the responsibility of the participant (Section 5.3).

FISCAL/RESOURCE IMPACT

If the City Council approves the execution of this agreement with NCPA, the City will be included in NCPA's TO Rate Case Program. The TO Rate Case Program activities for 2024 are currently operating under NCPA Commission approval under NCPA Power Management and Administrative Services Agreement, with a budget authorization of up to \$70,000 for Palo Alto. The City's cost share of total TO Rate Case Program expenses will be based on the City's proportion of annual energy load relative to participating NCPA members (currently 11.64% for 2024).

¹ Each of the participants in NCPA's Transmission Owner Rate Case Program Agreement is also a signatory to NCPA's 2014 Power Management and Administrative Services Agreement, which establishes the framework under which NCPA members may enter into individual service agreements with NCPA, such as the TO Rate Case Program Agreement presented here.

NEXT STEPS

Once all participants have executed the TO Rate Case Program Agreement, NCPA will sign the Program Agreement to make it effective.

POLICY IMPACT

Approval of the proposed amendment is in conformance with the City's Sustainability and Climate Action Plan (S/CAP) and the Electric Utilities' Integrated Resource Plan.

ENVIRONMENTAL REVIEW

The City Council's approval of this amendment to participate in the TO Rate Case Program does not meet the definition of a project under the California Environmental Quality Act (CEQA), pursuant to Public Resources Code Section 21065 and CEQA Guidelines Section 15378(a) because it will not result in a direct or indirect physical change in the environment.

ATTACHMENTS

Attachment A: Resolution Approving Transmission Owner Rate Case Program Agreement with NCPA

APPROVED BY:

Dean Batchelor, Director of Utilities

Staff: Lena Perkins, PhD., Senior Resource Planner