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**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**  
**NOTICE OF MEETING**  
**Board of Directors**

NOTICE IS HEREBY GIVEN by the undersigned, as the Executive Director of the Southern California Public Power Authority, that a regular meeting of the Board of Directors is to be held as follows:

<p><b>Date:</b> Thursday, January 17, 2013</p> <p><b>Time:</b> 10:00 AM</p> <p><b>Place:</b> Southern California Public Power Authority 1160 Nicole Court Glendora, California 91740 (626) 793-9364</p>
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The following matters are the business to be transacted and considered by the Board of Directors:

1. **Notice/Agenda and Opportunity for the Public to Address the Board**

Any member of the Board may request that items on the agenda be taken out of order, or that items be added to the agenda pursuant to the provisions of Section 54954.2(b) of the California Government Code.

Any member of the public may address the Board on any item of interest to the public before or during the Board's consideration of the item, provided the item is within the subject matter jurisdiction of the Board.

2. **CONSENT CALENDAR**

All matters listed under the Consent Calendar are considered to be routine and will all be enacted by one motion. There will be no separate discussion of these items prior to the time the Board votes on the motion, unless one or more board members, staff or the public request that specific items be discussed and/or removed for separate discussions or action.

- a. **Minutes:** Approval of the Minutes of the Board of Directors meeting held on December 20, 2012.
- b. **Resolution 2013-001:** Execution of a Goods and Services Agreement with Energetic Lighting and Platinum LED, US Inc. to provide Compact Fluorescent Light Bulbs and Light Emitting Diodes (LEDs) to Participants with associated services
- c. **Resolution 2013-002:** Renewal and updated scope of work of Black & Veatch agreement for power market forecasts, engineering and consulting services.

**STAFF REPORTS**

3. **Executive Director's Report**

The Executive Director will report on activities since the last Board meeting:

- **Executive Directors Report** To be provided at the Board Meeting
- **Resolution 2013-003:** Proposed Amendments to IPP Agreements
- **Clifton Lewis Overview** of Strategic Planning Process

4. **Program Development Director's Report**

The Director of Program Development will report on current activities, including public benefits and smart grid issues:

- **Program Development Director's Report** for January 2013

5. **Project Administration Director's Report**

The Director of Project Administration will report on project-related staff and agent activities:

- **Project Administration Director's Report** for January 2013
- **Hoover Upgrading Project Monthly Status Report** for January 2013
- **Magnolia Power Project Monthly Status Report** for December 2012
- **Palo Verde Power Project Monthly Status Report** for January 2013

- **San Juan Unit 3 Power Project Monthly Report** for January 2013

6. **Finance and Accounting Director's Report**

The Director of Finance and Accounting will report on the status of current financing activities:

- **Minutes of the Finance Committee Meeting** Meeting Canceled

7. **Energy Systems Director's Report**

The Director of Energy Systems will report on the status of current activities, including renewable energy project development and resource planning issues:

- **Energy Systems Directors Report** for January 2013

8. **Regulatory Affairs Director's Report**

The Director of Regulatory Affairs will report on the activities at the State and Federal levels:

- **Regulatory Affairs Director's Report** for January 2013
- **Morgan Meguire Report** for January 2013

9. **NEW BUSINESS**

New topics may be introduced in order to be added to the next meeting agenda for future consideration and action by the Board.

10. **CLOSED SESSION**

- **Public Employment:** Work review and performance evaluation of the Executive Director of the Authority pursuant to Section 54957 of the California Government Code.
- **Pending Litigation:** Conference with legal counsel regarding existing litigation related to the Windy Point/Windy Flats Project entitled *United States of America v. 5.1 Acres of Land, more or less, et al.*, Case No. 2:12-cv-03145-RMP, United States District Court, Eastern District of Washington, pursuant to subdivision (a) of Section 54956.9(a) of the California Government Code.
- **Potential Litigation:** Conference with legal counsel regarding the potential initiation of litigation pursuant to subdivision (c) of Section 54956.9 of the California Government Code (one potential case).



- **Potential Litigation:** Conference with legal counsel regarding significant exposure to litigation pursuant to subdivision (b) of Section 54956.9 of the California Government Code (one potential case).

Dated: January 10, 2013

A handwritten signature in black ink, appearing to read "Bill D. Carnahan". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

---

BILL D. CARNAHAN  
Executive Director  
Southern California Public Power Authority

**MINUTES OF THE DECEMBER 20, 2012**  
**REGULAR MEETING OF THE**  
**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**

A regular meeting of the Board of Directors was held on November 15, 2012, at the Sheraton Fairplex Conference Center, 601 West McKinley Avenue, Pomona, California.

The meeting was called to order at 10:08 a.m. by President Davis.

The following Board members (M) and alternates (A) were present and acting in their capacity as representative for their utility: Steve Sciortino, Anaheim (A); George Morrow, Azusa (M); Fred Mason, Banning (M); Vince Brar, Cerritos (A); Ronald Davis, Burbank (M); David Kolk, Colton (M); Steven Zurn, Glendale (M); Ronald Nichols, LADWP (M); Phyllis Currie, Pasadena (M); David Wright, Riverside (M); Carlos Fandino, Vernon (M).

Staff members present were: SCPPA staff members Executive Director Bill D. Carnahan, Daniel Hashimi, Geri L. Mitchell, Steven L. Homer, Vernon D. Oates, Kelly Nguyen, Julie Felipe, Salpi Ortiz, James Lau, Bryan A. Cope, and Therese Savery, Manager of SCPPA Accounting.

Attorneys and consultants present included: Stephen Cole, Fulbright & Jaworski; Deborah Sliz and Lori Pickford, Morgan Maguire; Peter Lewis.

**1. Notice/Agenda Opportunity for the Public to Address the Board**

President Davis afforded the public an opportunity to address the Board.

**2. Consent Calendar**

The following matters were considered routine and were enacted by a single motion.

- a. **Minutes:** Approval of the Minutes of the Board of Directors meeting held November 15, 2012.
- b. **Investment Reports** Receipt and filing of the Investment Report for the month of October 2012
- c. **Resolution 2012-114:** Authorizing of an agreement with POWER Engineers Inc. to perform aerial surveying and related CADD-PLS modeling of transmission system facilities, equipment and landscapes to meet NERC compliance requirements.
- d. **Resolution 2012-116:** Authorizing the execution and delivery of an amendment to the indenture of Trust relating to the Mead-Adelanto Bond, 1994 Series A.
- e. **Resolution 2012-117:** Authorizing the execution and delivery of an amendment to the indenture of Trust relating to the Mead-Phoenix Bond, 1994 Series A.
- f. **Resolution 2012-118:** Authorization of the renewal of an agreement with Energy Services, Inc. (ESI) for the implementation of and Energy Efficiency Audit Services

- g. **Resolution 2012-120:** Authorization of the renewal of an agreement with Ramon Redondo for caretaker services for LADWP property.

Mr. Wright moved that the matters on the consent calendar be approved. The motion was seconded by Ms. Currie and unanimously approved.

### **3. Executive Director's Report**

Mr. Carnahan referenced his written report and discussed the highlights.

Mr. Carnahan presented Resolution 2012-113, authorizing agreements with Dimare, Van Vleck & Brow, and Gonzalez, Quintana & Hunter, for state legislative consulting services.

Mr. Morrow moved that Resolution 2012-113 be approved. The motion was seconded by Mr. Morrow and unanimously approved.

### **4. Regulatory Affairs Director's Report**

Mr. Lau reported on legislative and regulatory activities in Sacramento and Washington, D.C. He discussed proposed Renewal Portfolio Standards regulations and the development of a legislative work plan.

### **5. Program Development Director's Report**

Mr. Cope discussed his activities relating to public benefits, electric vehicles, and smart grid issues.

### **6. Project Administration Director's Report**

Mr. Homer referenced the written reports and updated the Board on issues and developments at the projects.

### **7. Finance and Accounting Director's Report**

Mr. Oates reported on the meeting of the Finance Committee held on December 3, 2012, and discussed issues facing the Finance Committee.

### **8. Energy Systems Director's Report**

Ms. Nguyen referenced the written report, which discussed efforts relating to renewables, including wind, solar, biogas, geothermal projects, small hydro, and the meeting of the Resource Planning Committee. Ms. Nguyen discussed the Wild Rose Geothermal Project, training opportunities, and the renewable project RFP process.

Ms. Nguyen presented Resolution 2012-119, authorizing negotiation, execution and delivery of a Power Purchase Agreement for Wild Rose Geothermal Energy Project, three separate Power Sales Agreements, and other necessary documents.

Mr. Nichols moved that Resolution 2012-119 be approved. The motion was seconded by Mr. Davos and unanimously approved.

There being no further business, the meeting was adjourned at 11:51 a.m.

Respectfully submitted,

Mario Ignacio  
Secretary

c: Board of Directors






**Southern California Public Power Authority  
Board of Directors Meeting  
AGENDA ITEM – STAFF REPORT**

MEETING DATE: January 17, 2013 AGENDA ITEM NUMBER: 2013-001

CONSENT  DISCUSSION  RENEWAL  NEW   
*- place an X in box next to the appropriate consideration(s) above*

<b>FROM:</b>		<b>METHOD OF SELECTION:</b>	
Finance	<input type="checkbox"/>	Competitive	<input type="checkbox"/>
Energy Systems	<input type="checkbox"/>	Cooperative Purchase	<input type="checkbox"/>
Program Development	<input checked="" type="checkbox"/>	Sole Source	<input type="checkbox"/>
Regulatory/Legislative	<input type="checkbox"/>	Single Source	<input type="checkbox"/>
Project Administration	<input type="checkbox"/>	Other	<input checked="" type="checkbox"/>
Legal	<input type="checkbox"/>	<i>describe: unsolicited offer from RFP</i>	
<i>- place an X in box next to the appropriate consideration(s) above</i>			
<b>Approved By Executive Director:</b>			

<b>INITIAL MEMBER PARTICIPANTS:</b>					
Anaheim	<input checked="" type="checkbox"/>	Colton	<input type="checkbox"/>	LADWP	<input type="checkbox"/>
Azusa	<input type="checkbox"/>	Cerritos	<input type="checkbox"/>	Pasadena	<input type="checkbox"/>
Banning	<input type="checkbox"/>	Glendale	<input type="checkbox"/>	Riverside	<input type="checkbox"/>
Burbank	<input type="checkbox"/>	IID	<input type="checkbox"/>	Vernon	<input type="checkbox"/>
<i>- place an X in box next to the applicable Member(s) shown above</i>					

**SUBJECT: Resolution 2013-001** Execution of a Goods and Services Agreement with Energetic Lighting and Platinum LED, US Inc. (Energetic) to provide Compact Fluorescent Light Bulbs and Light Emitting Diodes (LEDs) to Participants with associated services.

**RECOMMENDATION:** Authorize the Executive Director to execute a Professional Services Agreement with Energetic at the request of Anaheim Public Utilities, with availability of such goods and services to all Members.

**BACKGROUND:** Energetic has provided a very competitively priced proposal for Members' purchase of lighting equipment and services that meets the requirements of related RFPS previously issued in this concern.

**FISCAL IMPACT:** All services will be covered by APU (and other Participants) on an "As Provided" basis.

**RESOLUTION NO. 2013-001**

**RESOLUTION OF THE SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE AN AGREEMENT WITH ENEGETIC LIGHTING and PLATINUM LED, INC., (“ENERGETIC”) FOR ANAHEIM PUBLIC UTILITY’S ENERGY EFFICIENCY PROGRAM IMPLEMENTATION, AND PROVIDING FOR ADDITIONAL CONTRIBUTIONS TO THE AUTHORITY’S REVOLVING GENERAL FUND, AND TAKING CERTAIN RELATED ACTION (RESTRUCTURING)**

WHEREAS, the Southern California Public Power Authority (the Authority) owns interests in various generation and transmission projects, the output of which has been sold to Members of the Authority (Members); and

WHEREAS, certain Members are engaged in the generation, transmission, and distribution of electrical energy to retail customers, including assisting such customers with the efficient use of said energy; and

WHEREAS, certain Members have a need for energy efficient lighting equipment and related services (“Goods and Services”); and

WHEREAS, Energetic is well qualified to provide such Goods and Services; and

WHEREAS, Energetic has responded to the Request for Proposals (RFP) for High Efficiency Lighting and has been selected by the Authority to provide Goods and Services; and

WHEREAS, the Authority is willing and able to (i) retain Energetic to provide Services and (ii) bill all expenses and costs of retaining Energetic to the Members receiving said Services; and

WHEREAS, the Board of Directors of the Authority, in its Resolution No. 1990-15, established a revolving general fund (the General Fund) for the payment of costs and expenses incurred by the Authority from time to time in carrying out its purposes; and

WHEREAS, the Board of Directors of the Authority, in its Resolution No. 1992-1, provided for the continuation of the General Fund and established a procedure to be followed with respect to additional contributions to the General Fund; and

WHEREAS, the Board of Directors of the Authority, in its Resolution No. 1995-2, provided for a separate bank account (the Joint Planning Account) to hold

and disburse the additional contributions to the General Fund with respect to joint planning matters; and

WHEREAS, the Board of Directors of the Authority, in its Resolution No. 1995-13, changed the name of the Joint Planning Account to the Restructuring Account; and

WHEREAS, the Board of Directors of the Authority wishes to provide for additional contributions to the General Fund, and certain Members of the Authority are willing to make such additional contributions.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority as follows:

1. The Executive Director of the Authority is authorized and directed to retain Energetic at the request of Member(s) of the Authority, provided that such Member(s) agree, in writing, to bear all costs and expenses associated with Services provided to Member(s), respectively.
2. The Board of Directors hereby provides for additional contributions to the General Fund. Notwithstanding anything to the contrary in Resolution No. 1992-1, such additional contributions,
  - a) shall be solely for the purpose of paying costs and expenses incurred by the Authority with respect to Energetic, and pending application for such purpose the contributions shall not be expended to pay costs or expenses properly allocable to one or more projects as provided in Section 3 of Resolution No. 1992-1;
  - b) with respect to each bill the Authority receives from Energetic, shall be billed to the Members that have received services from Energetic with respect to such bill, with the amount of each such Member's bill to be based upon the services performed by Energetic for the benefit of such Member; and
  - c) shall be billed and collected by adding the amounts provided above to the Authority's Hoover Uprating Project billings to Anaheim (if applicable), and to the Authority's Palo Verde Project billings to the other applicable Members, or where as directed by the member in a separate billing, with such amounts designated as "Resolution No. 2013-001 Charge."
3. Although the amounts to be contributed under this Resolution and related income shall constitute part of the General Fund, they shall be held and accounted for in a separate subaccount within the existing Restructuring Account. The Executive Director of the Authority is hereby directed to establish a subaccount (the 2013-001 Subaccount) within the Restructuring Account for the purpose of holding contributions and related income, and making disbursements, under this Resolution. The President, Vice President, Secretary, any Assistant Secretary and the Executive

Director of the Authority are each authorized to execute checks drawn on the Restructuring Account from time to time.

4. Amounts contributed to and held in the General Fund and the Energetic Subaccount pursuant to this Resolution will not be contributed or held for the purposes of any project for which the Authority has obtained any form of external financing. Such amounts shall not constitute (a) Revenues, or (b) revenues, income, rents or receipts derived by the Authority from or attributable to Authority Capacity (or to the payment of the costs thereof) or the ownership or operation of any Project. As used herein, "Revenues," "Authority Capacity," and "Project" shall have the respective meanings set forth in the indentures of trust and other instruments governing the external financing arrangements entered into from time to time by the Authority.
5. The President, Vice President, Secretary, any Assistant Secretary, Executive Director and any other officer of the Authority are each hereby authorized to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution.
6. This Resolution shall become effective immediately.

THE FOREGOING RESOLUTION is approved and adopted by the Authority this 17th day of January, 2013.

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PRESIDENT  
Southern California Public  
Power Authority

ATTEST:

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ASSISTANT SECRETARY  
Southern California Public  
Power Authority



**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**

**Board of Directors Meeting**

**AGENDA ITEM STAFF REPORT**

**MEETING DATE:** January 17, 2013

**RESOLUTION NUMBER:** 2013-002


CONSENT

DISCUSSION

RENEWAL

NEW

*Place an X in box next to the appropriate consideration(s) above.*

<b>FROM:</b>		<b>METHOD OF SELECTION:</b>	
Finance	<input type="checkbox"/>	Competitive	<input type="checkbox"/>
Energy Systems	<input checked="" type="checkbox"/>	Cooperative Purchase	<input type="checkbox"/>
Program Development	<input type="checkbox"/>	Sole Source	<input type="checkbox"/>
Regulatory/Legislative	<input type="checkbox"/>	Single Source	<input type="checkbox"/>
Project Administration	<input type="checkbox"/>	Other	<input checked="" type="checkbox"/>
Legal	<input type="checkbox"/>	<i>If other, please describe:</i>	
		<i>Renewal of existing services</i>	
<b>Approved By Executive Director:</b>			

<b>INITIAL MEMBER PARTICIPANTS:</b>					
Anaheim	<input checked="" type="checkbox"/>	Colton	<input checked="" type="checkbox"/>	LADWP	<input checked="" type="checkbox"/>
Azusa	<input checked="" type="checkbox"/>	Cerritos	<input type="checkbox"/>	Pasadena	<input checked="" type="checkbox"/>
Banning	<input checked="" type="checkbox"/>	Glendale	<input checked="" type="checkbox"/>	Riverside	<input checked="" type="checkbox"/>
Burbank	<input checked="" type="checkbox"/>	IID	<input checked="" type="checkbox"/>	Vernon	<input checked="" type="checkbox"/>
<i>Place an X in box next to the applicable Member(s) shown above.</i>					

**SUBJECT:** Renewal and updated scope of work of Black & Veatch agreement for power market forecasts, engineering and consulting services.

**RECOMMENDATION:** Request for approval to enter into a renewal agreement with Black & Veatch.

**BACKGROUND:** Black & Veatch has previously provided customized energy market forecasts to the SCPPA members and a renewal of the agreement for these services is being requested. The scope has been refined to include quarterly customized presentations to the Resource Planning group along with semi-annual presentations to the Board on market updates as part of the renewal agreement.

**FISCAL IMPACT:** \$11,500 per quarter

## RESOLUTION NO. 2013-002

### **RESOLUTION OF THE SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE AN AGREEMENT WITH BLACK & VEATCH CORPORATION (B&V), AND PROVIDING FOR ADDITIONAL CONTRIBUTIONS TO THE AUTHORITY'S REVOLVING GENERAL FUND, AND TAKING CERTAIN RELATED ACTION (RESTRUCTURING)**

WHEREAS, the Southern California Public Power Authority (the Authority) owns interests in various generation and transmission projects, the output of which has been sold to Members of the Authority (Members); and

WHEREAS, certain SCPPA member utilities (Members) are engaged in the generation, transmission, and distribution of electrical energy to retail customers, including assisting such customers with the efficient use of said energy; and

WHEREAS, certain Members have a need for quarterly presentations on California's power and fuel market conditions, renewable energy issues, regulatory issues, and other issues relevant to resource planning and renewable resource procurement decisions (Services); and

WHEREAS, B&V is well qualified to provide Services; and

WHEREAS, the Authority is willing and able to (i) retain B&V to provide Services and (ii) bill all expenses and costs of retaining B&V to the Members receiving said Services; and

WHEREAS, the Board of Directors of Authority, in its Resolution No. 1990-15, established a revolving general fund (the General Fund) for the payment of costs and expenses incurred by the Authority from time to time in carrying out its purposes; and

WHEREAS, the Board of Directors of the Authority, in its Resolution No. 1992-1, provided for the continuation of the General Fund and established a procedure to be followed with respect to additional contributions to the General Fund; and

WHEREAS, the Board of Directors of the Authority, in its Resolution No. 1995-2, provided for a separate bank account (the Joint Planning Account) to hold and disburse the additional contributions to the General Fund with respect to joint planning matters; and

WHEREAS, the Board of Directors of the Authority, in its Resolution No. 1995-13, changed the name of the Joint Planning Account to the Restructuring Account; and

WHEREAS, the Board of Directors of the Authority wishes to provide for additional contributions to the General Fund, and certain Members of the Authority are willing to make such additional contributions.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority as follows:

1. The Executive Director is authorized and directed to retain B&V at the request of Member(s) of the Authority, provided that such Member(s) agree, in writing, to bear all costs and expenses associated with Services provided to Member(s), respectively.
2. The Board of Directors hereby provides for additional contributions to the General Fund. Notwithstanding anything to the contrary in Resolution No. 1992-1, such additional contributions,
  - a) shall be solely for the purpose of paying costs and expenses incurred by the Authority with respect to B&V, and pending application for such purpose the contributions shall not be expended to pay costs or expenses properly allocable to one or more projects as provided in Section 3 of Resolution No. 1992-1;
  - b) with respect to each bill SCPPA receives from B&V, shall be billed to the Members that have received services from B&V with respect to such bill, with the amount of each such Member's bill to be based upon the services performed by B&V for the benefit of such Member; and
  - c) shall be billed and collected by adding the amounts provided above to the Authority's Hoover Uprating Project billings to Anaheim (if applicable), and to the Authority's Palo Verde Project billings to the other applicable Members, with such amounts designated as "Resolution No. 2013-002 Charge."
3. Although the amounts to be contributed under this Resolution and related income shall constitute part of the General Fund, they shall be held and accounted for in a separate subaccount within the existing Restructuring Account. The Executive Director of the Authority is hereby directed to establish a subaccount (the 2013-002 Subaccount) within the Restructuring Account for the purpose of holding contributions and related income, and making disbursements, under this Resolution. The President, Vice President, Secretary, any Assistant Secretary and the Executive Director of the Authority are each authorized to execute checks drawn on the Restructuring Account from time to time.
4. Amounts contributed to and held in the General Fund and the B&V Subaccount pursuant to this Resolution will not be contributed or held for the purposes of any project for which the Authority has obtained any form of external financing. Such amounts shall not constitute (a) Revenues, or (b) revenues, income, rents or receipts derived by the Authority from or attributable to Authority Capacity (or to the

payment of the costs thereof) or the ownership or operation of any Project. As used herein, "Revenues", "Authority Capacity," and "Project" shall have the respective meanings set forth in the indentures of trust and other instruments governing the external financing arrangements entered into from time to time by the Authority.

5. The President, Vice President, Secretary, any Assistant Secretary, Executive Director and any other officer of the Authority are each hereby authorized to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution.

6. This Resolution shall become effective immediately.

THE FOREGOING RESOLUTION is approved and adopted by the Authority this 17th day of January, 2013.

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PRESIDENT  
Southern California Public  
Power Authority

ATTEST:

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ASSISTANT SECRETARY  
Southern California Public  
Power Authority



*TAB 3*

**EXECUTIVE DIRECTOR'S REPORT  
TO BE PROVIDED  
AT THE BOARD MEETING**



**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**

**Board of Directors Meeting**

**AGENDA ITEM STAFF REPORT**

**MEETING DATE:** January 17, 2013

**RESOLUTION NUMBER:** 2013-003

CONSENT

DISCUSSION

RENEWAL

NEW

*Place an X in box next to the appropriate consideration(s) above.*

<b>FROM:</b>		<b>METHOD OF SELECTION:</b>	
Finance	<input type="checkbox"/>	Competitive	<input type="checkbox"/>
Energy Systems	<input type="checkbox"/>	Cooperative Purchase	<input type="checkbox"/>
Program Development	<input type="checkbox"/>	Sole Source	<input type="checkbox"/>
Regulatory/Legislative	<input type="checkbox"/>	Single Source	<input type="checkbox"/>
Project Administration	<input type="checkbox"/>	Other	<input type="checkbox"/>
Legal	<input checked="" type="checkbox"/>	<i>If other, please describe:</i>	_____
<i>Place an X in box next to the appropriate consideration(s) above.</i>		_____	
<b>Approved By Executive Director:</b>		_____	

<b>INITIAL MEMBER PARTICIPANTS:</b>					
Anaheim	<input checked="" type="checkbox"/>	Colton	<input type="checkbox"/>	LADWP	<input checked="" type="checkbox"/>
Azusa	<input type="checkbox"/>	Cerritos	<input type="checkbox"/>	Pasadena	<input checked="" type="checkbox"/>
Banning	<input type="checkbox"/>	Glendale	<input checked="" type="checkbox"/>	Riverside	<input checked="" type="checkbox"/>
Burbank	<input checked="" type="checkbox"/>	IID	<input type="checkbox"/>	Vernon	<input type="checkbox"/>
<i>Place an X in box next to the applicable Member(s) shown above.</i>					

**SUBJECT:** Proposed Amendments to IPP Agreements

**RECOMMENDATION:** Adopt a Resolution approving and authorizing execution and delivery of (1) a Consent and Agreement with those Members having rights in the Intermountain Power Project and the Southern Transmission System to permit them to execute amendments to their respective Power Sales Contracts with the Intermountain Power Agency (“IPA”) and (2) a related amendment to the Southern Transmission System Agreement between SCPPA and IPA.

**BACKGROUND:** The Cities of Anaheim, Burbank, Glendale, Pasadena and Riverside, and the City of Los Angeles acting by and through the Department of Water and Power, are participants in the Intermountain Power Project. Collectively, they are often referred to as the “California Purchasers.” Under their Power Sales Contracts with IPA, the California Purchasers obtained rights in the Southern Transmission System (“STS”) corresponding to their respective entitlement shares in the generation station. The STS rights were assigned to SCPPA under an Agreement for Acquisition of Capacity (“Capacity Acquisition Agreement”) which enabled



SCPPA to issue bonds for construction of the STS and thereafter provide transmission service to the California Purchasers under transmission service contracts.

Presently, the California Purchasers are contemplating certain amendments to their Power Sales Contracts with IPA that would allow them to exercise their rights to renew and extend their project interests beyond June 15, 2027, when the current Power Sales Contracts will expire. Under a provision in the aforementioned Capacity Acquisition Agreement, the California Purchasers must obtain SCPPA's consent to execute such amendments. Accordingly, LADWP has requested that the SCPPA Board of Directors approve and authorize execution of a Consent and Agreement with each of the California Purchasers to provide the required consent for amending the Power Sales Contracts. In addition, the Board is being asked to approve a related amendment to one of the project agreements between SCPPA and IPA – the Southern Transmission System Agreement – to conform its term to the possible renewal and extension of the interests of the California Purchasers in IPP.

**RESOLUTION NO. 2013-003**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY (I) APPROVING AND AUTHORIZING EXECUTION AND DELIVERY OF A CONSENT AND AGREEMENT WITH CERTAIN MEMBERS OF THE AUTHORITY RELATED TO THEIR INTERESTS IN THE INTERMOUNTAIN POWER PROJECT AND THE SOUTHERN TRANSMISSION SYSTEM; (II) APPROVING AND AUTHORIZING EXECUTION AND DELIVERY OF A SECOND AMENDMENT TO THE SOUTHERN TRANSMISSION SYSTEM AGREEMENT BETWEEN THE AUTHORITY AND THE INTERMOUNTAIN POWER AGENCY; AND (III) AUTHORIZING THE OFFICERS OF THE AUTHORITY TO DO ALL OTHER THINGS DEEMED NECESSARY OR ADVISABLE**

WHEREAS, the Southern California Public Power Authority (the “Authority”) and the Intermountain Power Agency (“IPA”) entered into that certain Southern Transmission System Agreement, dated as of May 1, 1983, as amended by the First Amendment to the Southern Transmission System Agreement, dated as of November 1, 2008, (together, the “STS Agreement”), pursuant to which the Authority made payments-in-aid of construction to IPA to fund the costs of constructing and upgrading the Southern Transmission System (the “Southern Transmission System” or “STS”) of the Intermountain Power Project (“IPP”); and

WHEREAS, certain of the Authority members, namely, the Cities of Anaheim, Burbank, Glendale, Pasadena and Riverside, and the City of Los Angeles acting by and through the Department of Water and Power (collectively the “California Purchasers”) entered into Power Sales Contracts with IPA dated as of August 1, 1980, as amended by the First Amendment to the Power Sales Contracts dated as of August 1, 1980, and the Amendatory Power Sales Contracts dated as of February 1, 1983 (collectively the “Power Sales Contracts”), pursuant to which the California Purchasers acquired, among other interests, rights to capacity (including upgrade capacity) in the Southern Transmission System (the “STS”); and

WHEREAS, the Authority and each of the California Purchasers entered into an Agreement for the Acquisition of Capacity, dated as of May 1, 1983 (the “Capacity Acquisition Agreements”), under which the California Purchasers assigned, transferred, conveyed, set over and relinquished to the Authority their respective rights to capacity and related contract rights in the Southern Transmission System, by which the Authority, utilizing such rights acquired under the Capacity Acquisition Agreements, provides STS transmission service to the California Purchasers pursuant to Transmission Service Contracts dated May 1, 1983; and

WHEREAS, each of the California Purchasers is contemplating entering into a Second Amendatory Power Sales Contract with IPA (the “Second Amendatory Power Sales Contracts”) that would amend each California Purchaser’s Power Sales Contract with IPA to enable the California Purchasers, upon certain conditions being satisfied, to renew and extend their rights in

IPP, the STS and other IPP project facilities, beyond the current June 15, 2027, expiration date of the Power Sales Contracts; and

WHEREAS, under the Capacity Acquisition Agreements each of the California Purchasers agreed that it will not consent to any amendment of its Power Sales Contract with IPA without the prior written consent of the Authority; and

WHEREAS, the Authority desires to authorize the execution and delivery of a Consent and Agreement with each of the California Purchasers and a Second Amendment to Southern Transmission System Agreement with IPA in order to allow the California Purchasers to enter into Second Amendatory Power Sales Contracts with IPA; and

WHEREAS, the proposed Second Amendment to Southern Transmission System Agreement will amend the STS Agreement to conform to the amendments to the Powers Sales Contracts made by the Second Amendatory Power Sales Contracts between each of the California Purchasers and IPA; and

WHEREAS, the Second Amendatory Power Sales Contracts to be entered into by the California Purchasers with IPA and the Authority's consent thereto as authorized by this Resolution will not materially impair or materially adversely affect the rights of the Authority under the Transmission Project Agreements (used as defined in the Transmission Service Contracts) or the rights or security of the holders of STS Bonds under the Indentures of Trust.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Southern California Public Power Authority as follows:

1. The proposed Consent and Agreement and the proposed Second Amendment to the Southern Transmission System Agreement, substantially in the form on file with the Authority, are hereby approved.

2. Each of the President or Vice President of the Authority is hereby authorized and directed to execute and deliver (1) a Consent and Agreement with each of the California Purchasers for the purposes indicated in the foregoing Recitals, and (2) a Second Amendment to Southern Transmission System Agreement, between the Authority and IPA, both in substantially the form on file with the Authority, with such changes, insertions and omissions as shall be approved by said President or Vice President (such approval to be conclusively evidenced by such officer's execution and delivery thereof).

3. Each of the President, Vice President, Secretary, any Assistant Secretary, the Executive Director and any other officer of the Authority is hereby authorized to execute and deliver any and all agreements and to approve any and all documents and instruments and to do and cause to be done any and all acts and things deemed necessary or advisable for carrying out the transactions contemplated by this Resolution. Each reference in this Resolution to the President, Vice President, Secretary, Assistant Secretary or Executive Director shall refer to the person holding such office or position, as applicable, at the time a given action is taken and shall not be limited to the person holding such office or position at the time of the adoption of this Resolution. All actions heretofore taken by the officers, employees and agents of the Authority

in furtherance of the transactions contemplated by this Resolution are hereby approved, ratified and confirmed.

4. This Resolution shall become effective immediately.

**THE FOREGOING RESOLUTION** is approved and adopted by the Authority this 17th day of January, 2013.

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PRESIDENT  
Southern California Public  
Power Authority

ATTEST:

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ASSISTANT SECRETARY  
Southern California Public  
Power Authority



TO: Bill D. Carnahan  
FROM: Bryan Cope  
SUBJECT: Director of Program Development – Monthly Report  
DATE: January 8, 2013

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The following is a summary of monthly activities for inclusion in the SCPPA Board package:

### Public Benefits

The Public Benefits Committee will hold its monthly meeting on January 9<sup>th</sup> this month, as opposed to the regularly scheduled meeting day on the 1<sup>st</sup> Wednesday of each month (January 2<sup>nd</sup>), due to Holiday scheduling.

The events, issues and topics of discussion at the Public Benefits Committee meeting will include:

- A Regulatory and Legislative Update from James Lau of SCPPA and Gil Topete of CMUA on issues and developments in the leg/reg arenas that may impact Public Benefits Programs of Members or statewide
- An update on the existing SCPPA Agreements developed on behalf and in support of Members' energy efficiency Programs; and,
- A comprehensive update on the multitude of Vendors who have requested an audience with the Committee to present their ideas and Programs for consideration. The Committee intends to streamline the process used to screen and invite Vendors to make presentations in the future.
- A follow-up on the policy considerations regarding Energy Efficiency Program design, development and improvement process that is encompassed within the:
  - 10-year Energy Efficiency Program Potential Savings Forecasts, (with the next one due to the CEC in March 2013);
  - The annual energy efficiency program results reporting using the E3 model, pursuant to SB1037, (also due to the CEC in March 2013); and
  - The CEC's development of revised guidelines for POU performance of Evaluation, Measurement and Verification (EM&V) studies/reports on the energy efficiency programs.

The nexus of these three topics is the ongoing effort and consideration of changing the existing E3 model. SCPPA, NCPA and CMUA will be having a teleconference with CEC Staff to discuss the

importance of the current opportunity to make these changes that are critical to the development and implementation of cost-effective energy efficiency and peak reduction programs. After this teleconference, I will be prepared to inform the Board of any developments and request direction and authority from the Board to proceed in concert with other POUs.

I have been following an open discussion on the internet regarding net metering of small (residential) PV systems regarding the cost and value of the systems to both the utility and to the customer. There are strong opinions that range from "PV is the best thing a customer can do for themselves" to "PV is the worst thing a customer can do to a utility". These arguments are based upon the (polar) perceptions of customers and PV developers about relative value of PV generation. Ultimately, the cost and value proposition for PV systems operating as distributed generation units needs to be made. That is, perhaps a PV owner could or should be treated as 2 entities – one a generator/supplier and the other as retail customer. In this regard, the PV generation would receive "full value" (for voltage control, peak demand reduction, and other intrinsic values of energy), while the homeowner would pay for all services, just like other residential customers – rather than receive a relatively simplistic credit based on a perceived or imputed value of the energy generated by the PV system. The intent of such a proposal would be to

- 1) reduce or remove existing cross-subsidizations between PV system owners and other Utility customers or the Utility itself and
- 2) remove the concern by PV owners that they do not receive full credit or value for production that exceeds requirements under the net metering terms.

As the number of these systems increases, the associated cost and valuation issues can and will become more of a concern for utilities. I will strongly support Members' efforts to address this topic in the near term – before it gets larger than it needs to be or begins to cost Members more than it should.

### **Smart Grid**

The Smart Grid Working Group has continued in hiatus through January 2013, as SCPPA Staff and the Transmission/Distribution and Engineering/Operations (T/D&E/O) Committee continued discussions and deliberations on how the "Smart Grid" topics/issues/ideas might best be consolidated or incorporated into and as part of the T/D&E/O Committee's consideration.

At the January 8<sup>th</sup> T/D&E/O Committee meeting the group agreed to prepare a survey of other SCPPA Committees and Working Groups to assess all Members' interest in various "Smart Grid-related" topics and issues and determine if:

- 1) periodic joint Committee meetings would be advantageous to fully explore such issues;
- 2) perhaps setting aside a given amount of time to each T/D&E/O Committee meeting specifically related to a given topic and invite interested parties for such sessions; or
- 3) a different model or structure could work better to more fully develop and understand the myriad topics related to Smart Grid development and implementation.

### **PEV Study**

PA Consulting continues to make significant progress in the collaborative PEV Study. The Task 1 and Task 2 results have been drafted and submitted to SCPPA and Edison International. These research and analytical efforts have been productive in framing the issues and identifying the barriers related to consumer implementation of PEV technology and those of electric utilities and other stakeholders in the burgeoning market.



We are on-track to receive an initial draft outline by January 15, 2013 of potential opportunities available to utilities to overcome these barriers in order to develop a regional plan and create a seamless transition for widespread deployment of PEVs in the southland. After the draft is completed and delivered, I will convene an "all-hands" meeting with Members and Edison to begin the iterative process necessary to reach agreement and understanding of the individual and collective efforts that will be required to develop a regional infrastructure and/or program. Thereafter, as the regional plan is finalized, PA Consulting will be working in parallel to develop utility-specific action plans/business models that address the issues and topics that have been raised by each Participant in their meetings with PA Consulting.

### **EV Charging Installation / LEED Certification**

The contract for installation of the 2, dual EV chargers that were provided to SCPPA by Coulomb Technologies (at no cost) is finalized and the installation is targeted to be completed by the end of this month. The presence of the EV Chargers will provide additional "points" in SCPPA's efforts to secure LEED certification for the Office Building. The LEED process has proven to be tedious and more difficult than originally represented. However, we are making progress on the paperwork and additional system analyses that are necessary for completion of the effort. I am hopeful that the LEED AP consultant will be prepared to file SCPPA's certification during the first quarter of 2013.

**TO:** Board of Directors  
**FROM:** Steven L. Homer  
**SUBJECT:** Director of Project Administration's Report  
**DATE:** January 9, 2013

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The following is a summary of the activities of the Project Administrator from December 14, 2012, through January 11, 2013.

**PALO VERDE PROJECT:**

- Work continues representing Participants in Transmission E&O Meetings and Switchyard Legal and Negotiating (L&N) Committee meetings, and attending the Generating Station E&O Committee meetings.
- The application for license extension was filed with the NRC on December 16, 2008. The process was completed in late February 2011, and the NRC recommended approval. The final decision and formal signing occurred in April, extending the life of the three units to 2045, 2046, and 2047.
- An amendment to the Project Participation Agreement was developed to align the Decommissioning Trust Fund funding curves to the new license expiration dates, and was approved by the SCPPA Board in December.

**SAN JUAN UNIT 3 PROJECT:**

- Work continues (with Anaheim and M-S-R) reviewing and participating in the negotiations regarding the San Juan coal budget.
- Work is continuing on a new interconnection agreement with Tucson Electric Power. Accumulated inadvertent balances will be addressed following completion of the interconnection agreement.
- In order to address regional haze and comply with Best Available Retrofit Technology (BART), the State of New Mexico has issued a State Implementation Program (SIP), recommending Selective Non-Catalytic Reduction.

- The EPA has issued a Federal Implementation Program (FIP) recommending full Selective Catalytic Reduction on all four units. Various appeals are under way, supported by the State of New Mexico and the Navajo Nation.
- The EPA issued a 90-day stay to allow the parties to explore solutions other than SCR or SNCR. New Mexico Environmental Department held public forums prior to meeting with the parties. The stay and an extension expired November 29, 2012.
- On October 9, 2012, the State of New Mexico announced a provisional term sheet for a revised State Implementation Program, which included shut down of Units 1 & 2, and other requirements of PNM to mitigate economic impacts on the area. The EPA did not accept the proposal, stating that their visibility improvement standards were not met.
- The San Juan owners are meeting to develop alternative proposals, including shutdown of 1, 2, or 3 units, with the California owners possibly exiting the project.
- PNM has signed an EPC contract for installation of 4-unit SCR and balanced draft. The contract can be cancelled at any time if an alternate plan is approved. Funding of the work has not yet been approved by the owners.
- The EPC contract was placed in suspension on January 4, 2013, pending resolution of an alternate proposal from the State of New Mexico to the EPA.

### **HOOVER UPRATING PROJECT**

- Contractors from Arizona, Nevada and California met for two years to negotiate terms for renewal of the contracts, which expire in 2017. Legislation was proposed to both houses of Congress in December 2009, and was signed by the President in December 2011.
- Meetings are being held among Western and the existing Contractors to discuss the process for negotiating new electric service contracts and selection of new of new contractors.
- A series of capacity reductions have been implemented in response to low lake levels, but lake levels and capacity are currently increasing. Current capacity is 1819 MW. Full capacity is 1951 MW.
- Possible refinancing/retirement of the Visitors' Center debt is being pursued.

### **MEAD-ADELANTO**

- A proposal to convert the project to DC is being evaluated.

## **PINEDALE NATURAL GAS RESERVES PROJECT**

- A gas gathering and processing agreement for part of the Pinedale reserves is expiring. A short extension has been granted while the parties investigate and negotiate a renewal.
- Ultra has announced that they will no longer include SCPPA/DWP/Turlock as additional insureds on their insurance policies. Efforts are under way to reverse their decision or acquire replacement insurance.

**SCPPA COORDINATION:** The following is a listing of major meetings attended during the period:

On December 18, Mr. Homer participated in a teleconference with the San Juan owners to discuss developments regarding BART settlement issues.

On December 20, Mr. Homer participated in the meeting of the SCPPA Board of Directors, in Pomona.

On December 21, Mr. Homer participated in a teleconference with the San Juan owners to discuss developments with the EPA.

On December 27, Mr. Homer participated in the meeting of the Natural Gas Committee, at SCPPA.

On December 28, Mr. Homer participated in a teleconference with the San Juan owners to discuss developments regarding BART settlement issues.

On January 3, 2013, Mr. Homer participated in a teleconference with the San Juan owners to discuss developments regarding BART settlement issues.

On January 8, Mr. Homer participated in a teleconference with the San Juan owners to discuss developments regarding BART settlement issues.

**SCPPA BOARD MEETING  
JANUARY 17, 2013  
HOOVER UPRATING PROJECT  
STATUS REPORT**

- Scheduled maintenance and preventive maintenance activities are continuing both at the plant and the Visitors Center.
- The reduced level of Lake Mead caused the power plant capacity to be reduced. Due to seasonal fluctuations in lake level, current capacity was reduced or increased as follows:

<b>Date</b>	<b>Capacity* (MW)</b>	<b>Increase or Decrease</b>
December 2009	1,656 MW	
January 28, 2010	1,667 MW	+11 MW
February 4, 2010	1,676 MW	+ 9 MW
February 18, 2010	1,688 MW	+12 MW
April 9, 2010	1,680 MW	- 8 MW
May 19, 2010	1,657 MW	- 23 MW
June 21, 2010	1,640 MW	-17 MW
July 21, 2010	1,617 MW	-23 MW
October 4, 2010	1,591 MW	-26 MW
January 12, 2011	1,603 MW	+12 MW
January 20, 2011	1,615 MW	+12 MW
January 26, 2011	1,627 MW	+12 MW
February 9, 2011	1,639 MW	+12 MW
June 17, 2011	1,668 MW	+29 MW
July 13, 2011	1,721 MW	+53 MW
July 28, 2011	1,732 MW	+11 MW
August 16, 2011	1,747 MW	+15 MW
August 30, 2011	1,771 MW	+14MW
September 13, 2011	1,779 MW	+8 MW
October 5, 2011	1,794 MW	+15 MW
October 17, 2011	1,810 MW	+16 MW
November 3, 2011	1,819 MW	+9 MW
November 16, 2011	1,828 MW	+9 MW
November 25, 2011	1,837 MW	+9 MW
December 6, 2011	1,846 MW	+9 MW

December 13, 2011	1,855 MW	+9 MW
December 20, 2011	1,864 MW	+9 MW
January 28, 2012	1,885 MW	+21 MW
April 4, 2012	1,861 MW	-24 MW
April 24, 2012	1,849 MW	-12 MW
May 18, 2012	1,829 MW	-20 MW
June 19, 2012	1,802	-20 MW
January 4, 2013	1,819	+17 MW

*\* Full capacity is 1,951 MW.*

- Capacity reductions or increases are applied pro rata to both Schedule A and Schedule B Contractors.
- Lake Mead is currently at 1,121 feet of elevation, up three feet from the December report.
- The Hoover Power Act of 2011 was signed by President Obama in December 2011. This authorizes renewal of the contracts for current Contractors for 50 years, and opens up 5% of capacity and energy for new entrants.
- Contractors are meeting to develop recommendations for new contracts.
- Contractors agreed to fund 3 additional low-head turbines in July 2012, following successful testing of the pilot unit. The new turbines are more efficient at low lake levels, and have a smaller rough zone. Coupled with recent control improvements, when all four are completed, fewer units will have to be spinning to provide requested capacity levels.
- Total increased capacity at low lake levels from all recent improvements is 104 MW.
- Contractors are working on a proposal to pay off/refinance the debt on the Visitors' Center. This might reduce the total cost of Hoover power by 5%.

## **MAGNOLIA POWER PROJECT STATUS REPORT December 2012**

### **Reporting Period**

**December 1-31, 2012**

### **Workforce Safety Statistics**

- There were zero (0) lost time accidents in December and zero (0) year-to-date (YTD).
- There were zero reportable incidents in December and two (2) YTD.

### **Plant Performance Information**

- **Availability:** 0.0% in December, 74.5% fiscal year-to-date (FYTD), 83.8% YTD (A table showing monthly plant availability for the past 24 months is attached.)
- **Unit Capacity Factor (240 MW):** 0.0% in December, 59.8% FYTD, 67.3% YTD
- **Fired Factored Hours:** 0.0 hours in December
- **Statistics:** Details are provided in the attached monthly production report entitled “Year-to-Date Summary of Statistics for CY 2012 & FY2012-2013.”

### **Plant Outage Summary and Other Actions taken by Operating Agent**

- The Plant remained offline during the entire month of December to perform the planned outage – to disassemble, inspect, clean, repair (as needed), reassemble and restart all major power plant equipment. This is the 48,000 hour maintenance interval.
- The Outage schedule is as follows:

– Plant shutdown & cool down	Nov 21, 2012 – Nov 25, 2012
– Outage task activities	Nov 26, 2012 – Feb 15, 2013
– Operations testing	Feb 15, 2013 – Mar 9, 2013
– Plant restart	Mar 9, 2013
- Outage activities have continued as planned, and work is being identified to address recent turbine and generator findings. BWP personnel are meeting with contractors and reviewing safety procedures in daily meetings with all involved. Project foremen, supervisors, engineers, safety personnel, and management are also meeting routinely to discuss the project schedule and to coordinate the related details. The current and planned activities include the following:
  - Daily tasks and safety reviews/meetings are being conducted to ensure the highest level of safety on this project.
  - Bi-weekly meetings with GE’s Environmental Health Safety Manager (Mike Rogers) are being held.
  - A combustion turbine biscuit modification is being performed to correct the rotating stage 0 blade retention/rocking. GE is covering this item as part of the Long Term Service Agreement (LTSA).
  - A Bigfoot modification is currently being performed to the combustion turbine to address turbine section stationary blade rocking and wear. (GE is covering this item as part of the LTSA.)

- Combustion turbine turning gear coupling repairs are being organized by BWP. (This is an item not covered by the LTSA.)
  - Steam turbine seal issues have been identified and are being reviewed for upgrades (seal hardware size and material upgrades).
  - The extent of oil contamination in the fuel gas supply system for the combustion turbine is being reviewed, and the system may require additional cleaning.
  - Optimum steam turbine-to-shell clearances have been identified and are being incorporated to the rotor repairs currently being performed in Maine. Revisions to the unit insulation will also be implemented.
  - The steam turbine generator coolers are being tested for leaks.
  - Main circulating water pumps and motors are being overhauled off site.
  - The fuel gas compressors are being overhauled.
  - HRSG inspection has been performed, and the superheater support pins were discovered out of position, so remedial action is being developed and implemented.
  - Several small motors are being overhauled on site by BWP Electric Services.
- Areas of concern identified to date are the steam turbine generator, the combustion turbine fuel supply system cleanliness, and the HRSG superheater support pin migrations.
  - The “2011-2015 Scheduled Inspection Plan” is attached for reference; it shows the “Major Inspection #1” [the SIR] will finish on March 9, 2013.



## MAGNOLIA MONTHLY PRODUCTION REPORT

### Year-to-Date Summary of Statistics

#### CY 2012 & FY 2012-2013

		2012	2012	2012	2012	2012	2012	2012	2012	2012	2012	2012	2012	2012	2012
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FYTD	YTD
<b><u>ENERGY</u></b>															
Combustion Turbine (Gross)	MWH	84,103	91,894	82,195	83,568	90,733	76,592	90,175	95,283	66,005	93,393	65,671	0	410,527	919,612
Steam Turbine	MWH	48,862	53,583	49,597	50,990	55,591	47,257	55,527	57,291	39,754	56,291	38,557	0	247,420	553,300
Plant Generation (Gross)	MWH	132,965	145,477	131,792	134,558	146,324	123,849	145,702	152,574	105,759	149,684	104,228	0	657,947	1,472,912
Plant Auxiliaries (Unit Aux.)	MWH	4,454	5,108	4,861	5,070	5,504	4,714	5,586	5,637	3,898	5,531	3,699	321	24,672	54,383
Plant Auxiliaries (Reserve)	MWH	592	6	487	210	7	599	7	6	1,464	61	471	0	2,009	3,910
Plant Generation (Net)	MWH	128,511	140,369	126,931	129,488	140,820	119,135	140,116	146,937	101,861	144,684	100,529	-321	633,806	1,419,060
Capacity Factor (240 MW net)	%	72.0%	84.0%	71.2%	74.9%	78.9%	68.9%	78.5%	82.3%	58.9%	81.0%	58.1%	0.0%	59.8%	67.3%
<b><u>THERMAL EFFICIENCY</u></b>															
Combustion Turbine (Gross)	BTU/KWh	11,085	11,109	11,406	11,428	11,432	11,500	11,437	11,238	11,283	11,280	11,099	0	9,390	10,358
Total Plant (Gross)	BTU/KWh	7,012	7,017	7,114	7,097	7,089	7,112	7,078	7,018	1,043	7,038	6,933	0	4,852	5,963
Total Plant (Net)	BTU/KWh	7,255	7,272	7,386	7,375	7,366	7,394	7,360	7,287	7,313	7,308	7,251	0	6,087	6,714
<b><u>AVAILABILITY</u></b>															
Monthly Hours Available		744.0	696.0	743.0	720.0	744	720.0	744.0	744.0	720.0	744.0	721.0	744.0	4,417	8784.0
Plant Operating Hours	Hours	632.1	696.0	670.1	690.4	744	639.7	744.0	744.0	522.0	744.0	499.0	0.0	3,253	7,325.3
Duct Burner Operating Hours	Hours	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0.0
Plant Availability	%	85.0%	100.0%	90.2%	95.9%	100.0%	88.8%	100.0%	100.0%	78.0%	100.0%	69.2%	0.0%	74.5%	83.8%
Off-line yet Available Hours	Hours	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	39.4	0.0	0.0	0.0	39.4	39.4
Planned Outage Hours	Hours	111.9	0.0	0.0	0.0	0.0	59.9	0.0	0.0	80.2	0.0	222.0	744.0	1,046.2	1,218.0
Forced Outage Hours	Hours	0.0	0.0	73.9	29.6	0.0	20.4	0.0	0.0	77.9	0.0	0.0	0.0	77.9	201.8
Forced Outage	%	0.0%	0.0%	9.9%	4.1%	0.0%	2.8%	0.0%	0.0%	10.8%	0.0%	0.0%	0.0%	1.8%	2.3%
Total Hours Off-Line	Hours	111.9	0.0	73.9	29.6	0.0	80.3	0.0	0.0	197.5	0.0	222.0	744.0	1,163.5	1,459.2
Forced Derated Hours	Hours	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(FFH) From Steam Injection	Hours	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Factored Fired Hours	Hours	632.1	696.0	670.1	690.4	744.0	639.7	744.0	744.0	522.0	744.0	499.0	0.0	3,253	7,325.3
(FFH) Before Next Inspection	Hours	4,507	3,811	3,141	2,451	1,707	1,067	323	-421	-943	-1,687	-2,186	24,000	-	35,772
Estimated Date of Next Major Outage															Nov 2015
<b><u>FUEL USAGE AND QUALITY</u></b>															
Combustion Turbine	DTH	932,295	1,020,810	937,545	954,975	1,037,295	880,845	1,031,310	1,070,790	744,765	1,053,465	728,910	0	4,629,240	10,393,005
Duct Burner	DTH	0	0	0	0	0	0	0	0	105	0	0	0	105	105
Duct Burner	MMSCF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0.0
Duct Burner Fuel Remaining	MMSCF	547.7	547.7	547.7	547.7	547.7	547.7	547.7	547.7	547.7	547.7	547.7	547.7	-	547.7
Total Plant Usage	DTH	1,095,780	1,020,810	937,545	954,975	1,037,295	880,845	1,031,310	1,070,790	744,870	1,053,465	728,910	0	4,629,345	10,556,595
Gas Btu (HHV)	BTU/SCF	1,021	1,019	1,018	1,019	1,019	1,021	1,023	1,024	1,021	1,023	1,023	1,050	1,027	1,023

## Magnolia Power Plant - Outage Summary

<b>Outages during the reporting period December 1-31, 2012</b>				
<b>Outage #</b>	<b>Start Date/Time</b>	<b>End Date/Time</b>	<b>Hours</b>	<b>Comments</b>
PO 32	11/21/12 17:52	Cont'd into next month	966.1	The Plant was removed from service to perform a 48,000 hour maintenance interval on the equipment in accordance with the Long Term Service Agreement (LTSA) with General Electric (GE) - to disassemble, inspect, clean, repair (as needed), and reassemble all of the power plant major equipment. Concurrent maintenance activities are being performed by BWP personnel and contractors.
<b>Summary of Outages during the Past Twelve Months</b>				
<b>Forced or Planned Outage</b>	<b>Start Date</b>	<b>End Date</b>	<b>Hours</b>	<b>Cause</b>
PO	January 20, 2012	January 25, 2012	111.9	CT water wash and borescope inspection.
FO	March 5, 2012	March 8, 2012	73.9	Instrument line failed on Gas Compressor; CT water wash performed.
FO	April 6, 2012	April 8, 2012	29.6	Unit tripped by a "flame-out" condition in the Combustion Turbine.
FO	June 14, 2012	June 15, 2012	20.4	Unit tripped by a "flame-out" condition in the Combustion Turbine.
PO	June 22, 2012	June 25, 2012	59.9	CT water wash and maintenance
FO	September 13, 2012	September 13, 2012	5.3	ST tripped on controller i/o card failure
FO	September 13, 2012	September 14, 2012	12.8	Hot restart failed due to overtemp condition in hot reheat bypass line.
FO	September 14, 2012	September 14, 2012	0.5	Unit tripped by a "flame-out" condition in the Combustion Turbine.
PO	September 14, 2012	September 18, 2012	80.2	CT water wash
FO	September 26, 2012	October 1, 2012	98.5	Unit tripped by a "flame-out" condition in the Combustion Turbine.
PO	November 21, 2012	Cont'd to next month	966.1	Down for Scheduled Inspection & Repair after 48,000 hrs of operation.

## Magnolia Power Plant - Availability Summary Table

Monthly	Quarterly	Semi-Annual	Annual
Jan-11 2.4%	Q1 '11 64.0%	H1 '11 74.3%	Yr '11 80.3%
Feb-11 100.0%			
Mar-11 93.0%			
Apr-11 100.0%	Q2 '11 84.6%		
May-11 56.2%			
Jun-11 98.5%			
Jul-11 82.4%	Q3 '11 94.0%	H2 '11 86.2%	
Aug-11 100.0%			
Sep-11 99.7%			
Oct-11 62.6%	Q4 '11 78.5%		
Nov-11 72.6%			
Dec-11 100.0%			
Jan-12 85.0%	Q1 '12 91.5%	H1 '12 93.3%	Yr '12 83.8%
Feb-12 100.0%			
Mar-12 90.2%			
Apr-12 95.9%	Q2 '12 95.0%		
May-12 100.0%			
Jun-12 88.8%			
Jul-12 100.0%	Q3 '12 92.8%	H2 '12 74.5%	
Aug-12 100.0%			
Sep-12 78.0%			
Oct-12 100.0%	Q4 '12 56.3%		
Nov-12 69.2%			
Dec-12 0.0%			



# 2011-2015

Magnolia Power Plant

## Scheduled Inspection Plan

Offline Water Wash\* 

Combustion Inspection 

Hot Gas Path Inspection 

Major Inspection 

as of November 30, 2012

Total Fired Time

49,277.0 hrs

Total Fired Hours PROJECTED ANNUALLY	( 5,006 hrs) 2011	(7,325 hrs) 2012	(6,966 hrs) 2013	( 8,520 hrs) 2014	( 8,064 hrs) 2015
<b>INSPECTIONS</b>	37,039.5 January 2011	42,706.1 January 2012	Start-Up 6:00 AM 03/09/2013 Continuation of Major Outage	(30)* February 2014	(34)* February 2015
<b>Water Wash</b> 90 day intervals @ 2160 hours	(18) Off-line 6:00 PM 12/21/2010 Start-Up 6:00 AM 01/31/2011 (Remove & test NOx & CO catalyst coupons, Inspect & Revise Hangers, Borescope Inspection, ST Turbine/Gen bearing inspection, New stg LO pumps	(22) Off-line 6:00 PM 01/25/2012 Start-Up 6:00 AM 01/30/2012 Boiler inspection	(27)* May 2013	Off-line 6:00 PM 02/21/2014 Start-Up 6:00 AM 02/24/2014	Off-line 6:00 PM 02/20/2015 Start-Up 6:00 AM 02/23/2015
<b>Combustion Inspection &amp; Hot Gas Path</b> Every 24,000 Hrs Requires a 21 Day Outage	37,823.2 March 2011 (19) Off-line 6:00 PM 03/04/2011 Start-Up 6:00 AM 03/31/2011 Shutdown for economic reasons	43,411.5 March 2012 (23) Off-line 5:00 AM 03/5/2012 Start-Up 6:00 AM 03/8/2012 Ops. Shut down due to gas leak	Off-line 6:00 PM 05/24/2013 Start-Up 6:00 AM 05/27/2013	(31)* May 2014 Off-line 6:00 PM 05/23/2014 Start-Up 6:00 AM 05/26/2014	(35)* May 2015 Off-line 6:00 PM 05/22/2015 Start-Up 6:00 AM 05/25/2015
<b>Major</b> Every 48,000 Hrs	38,000.0 May 2011 (20) Off-line 6:00 PM 05/10/2011 Start-Up 6:00 AM 05/24/2011 HMI UPGRADE, AUTO TUNE GENERATION RELAY PROTECTION Off-line 6:00 PM 06/30/2011 Start-Up 11:50 AM 07/06/2011 Generation Protection Relay Trip	46,003.5 June 2012 (24) Off-line 6:00 PM 06/22/2012 Start-Up 6:00 AM 06/25/2012	(28)* Aug 2013 Off-line 6:00 PM 08/23/2013 Start-Up 6:00 AM 08/26/2013	(32)* July 2014 Off-line 6:00 PM 07/25/2014 Start-Up 6:00 AM 07/28/2014	(36)* Aug 2015 Off-line 6:00 PM 08/28/2015 Start-Up 6:00 AM 08/31/2015
<b>* Future Outage date are subject to change</b>	40809.0 October 2011 (21) Off-line 6:00 PM 10/21/2011 Start-Up 6:00 AM 11/07/2011 CT fuel nozzle replacement to resolve lean blow outs.	48,163.5 Sept 2012 (25) Off-line 10:00 PM 09/14/2012 Start-Up 6:00 AM 09/18/2012 Shut down due to trip	(29)* November 2013 Off-line 6:00 PM 11/22/2013 Start-Up 6:00 AM 11/25/2013	(33)* November 2014 Off-line 6:00 PM 11/21/2014 Start-Up 6:00 AM 11/24/2014	(37)* November 2015
<b>Actual End of Year</b>		49,370.0 Nov 2012 Off-line 6:00 PM 11/21/2012 Start-Up 6:00 AM 03/09/2013 STG Steam Seal replacement, STG Protection Relay 48,000 Major			72,000.0 Hrs
<b>Total Timer Hours</b>	42,106.1 2011	Water Wash-#26 Combustion Inspection-#3 Hot Gas Path-#2 Major Inspection-#1 108 Day Outage 2012	66 2013	2014	21 DAY OUTAGE Hot Gas Path #3 Combustion Inspection-#4 2015

**SCPPA BOARD MEETING  
JANUARY 17, 2013  
PALO VERDE NUCLEAR GENERATING STATION  
STATUS REPORT**

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**Plant Operations:**

Following is the status of the plant as of January 9, 2013:

- Unit 1 is operating at full power and is on its 408<sup>th</sup> day of continuous operation.
- Unit 2 is operating at full power and is on its 61<sup>ST</sup> day of continuous operation.
- Unit 3 is operating at full power and is on its 69<sup>th</sup> day of continuous operation. The unit has been down powered to 40% since January 7, 2013 for condenser leak repairs and other maintenance work. The down power is expected to last until January 13, 2013.

Through December 2012, the year-to-date capacity factors of the units and the station are as follows:

	<b><i>Capacity Factor</i></b>
<b><i>Unit 1</i></b>	98.1%
<b><i>Unit 2</i></b>	88.3%
<b><i>Unit 3</i></b>	86.1%
<b><i>Station</i></b>	90.8%

**Budget:**

Through November 2012, the year-to-date cost report is summarized as follows:

(In \$millions)

<b><i>Year-to-Date</i></b>	<b><i>Budget</i></b>	<b><i>Actual</i></b>	<b><i>Variance</i></b>
<b><i>O&amp;M</i></b>	566.9	563.8	(3.1)
<b><i>Capital</i></b>	184.8	191.6	6.8
<b><i>Fuel</i></b>	303.5	287.6	(15.9)
<b><i>Total</i></b>	1,055.2	1,043.0	(12.2)

The year-to-date underrun in the O&M budget is due to the budget savings associated with staff attrition, the timing of incentives and NRC fees, and the non use of the Site Emergent Work Fund.

The year-to-date Capital budget overrun is due to the 2011 A&G load true-up charge, the acceleration of the Security Access Control System Replacement into 2012, the delay of the Plant Computer System Upgrade Project milestone payment from 2011 to 2012 due to contract negotiations, overruns in the most recent outage projects such as the main Feed Pump and Generator Stator Bar replacement, and unbudgeted emergent projects that include the Water Reclamation System pipeline projects and the Fukushima initiatives.

The year-to-date underrun in the Fuel budget is due to the lower-than-budgeted uranium prices, the non-use of the fuel contingency budgeted in April 2012, and the reduction in spent fuel casks loaded in 2012.

The year-end budget projection is as follows:

(In \$millions)

<b><i>Year-End</i></b>	<b><i>Budget</i></b>	<b><i>Projection</i></b>	<b><i>Variance</i></b>
<b><i>O&amp;M</i></b>	640.0	640.0	(0.0)
<b><i>Capital</i></b>	205.0	200.0	(5.0)
<b><i>Fuel</i></b>	307.6	294.3	(13.3)
<b><i>Total</i></b>	1,152.6	1,132.8	(19.8)

The year-end forecast has been revised to “on budget” due to cost impacts that occurred during the Unit 2 refueling outage.

The year-end goal is to achieve a Capital budget underrun of at least \$5M. However recent regulatory actions in response to the nuclear incident at Fukushima in Japan may require spending of the entire surplus fund by year end.

The year-end underrun in the Fuel budget is expected due to the non-use of the fuel contingency fund and the reduction in spent fuel casks loaded in 2012.

### **2012 Achievements**

Palo Verde generated about 31.9 million MWh in 2012 while operating at a capacity factor of 91%. The station also set new safety records in 2012 which include the first refueling and maintenance outage in Palo Verde history without an OSHA recordable incident, the longest period in between Site Clock Resets which are triggered by major incidents affecting plant operations, the lowest annual site radiation dose in the station’s history and the lowest radiation exposure record in the nation during a refueling outage.

Palo Verde was also recognized by Westinghouse for Unit 2’s impressive 518-day continuous operation run that concluded October 5, 2012 with the start of its Fall Refueling and Maintenance Outage. During that time, Unit 2 produced enough electricity to equal the production of almost three Hoover Dams. The previous Palo Verde record for consecutive days on-line was 515 days which was also held by Unit 2 in 1999. Westinghouse noted that the run was a culmination of years’ worth of efforts that included significant equipment reliability upgrades and a drive towards operational excellence while maintaining the highest levels of nuclear safety.

Also achieved in 2012 was the station’s submission of its Voluntary Protection Program (VPP) STAR status application following five years of continuous efforts in creating a safer work site and improving industrial safety behavior. The STAR status which allows minimal safety regulations is only granted to worksites with successful OSHA compliance programs. In early December, Palo Verde made significant progress on yet another milestone in its quest for VPP STAR Status, hosting building evacuation drills across the station. While Palo Verde holds many drills during the year, it did not have one specifically for evacuation of buildings during a fire or other emergency until late last year.

**SAN JUAN UNIT 3  
STATUS REPORT  
January 2013**

**EQUIVALENT AVAILABILITY FACTOR**

November 2012:	19.19%
2012 Y-T-D:	76.02%

**UNIT CAPACITY FACTOR**

November 2012:	16.20%
2012 Y-T-D:	61.23%

**OPERATIONAL NOTES (Unit Outages/Significant De-rates)**

11/1/2012:	San Juan Unit 3 was in a planned outage due to major overhaul from 9/29/2012 until 11/23/2012.
11/24/2012:	San Juan Unit 3 was de-rated 94 to 364 MW from 11/24 until 11/26/2012 due to boiler water chemistry following startup, soot blower system issues, and turbine testing.
11/27/2012	San Juan Unit 3 was de-rated 44 to 94 MW for approximately 28 hours due to baghouse differential pressure issues.
11/29/2012:	San Juan Unit 3 was de-rated 90 to 124 MW for approximately 20 hours to perform an airflow performance test on pulverizers.
11/30/2012	San Juan Unit 3 was de-rated 124 MW for approximately 13 hours due to an electrical issue with C pulverizer motor.

**SAN JUAN PROJECT UPDATE**

Monthly Operating Report and O&M Update

- SCPPA's total cost (less fuel) for the San Juan Project year-to-date through November 2012 was \$2,450,680 or 7.3% over plan.
- The average bus bar energy cost for Unit 3 year-to-date through November 2012 was \$72.38 per MWH.
- The equivalent forced outage rate for Unit 3 year-to-date through November 2012 was 7.62%. This compares to an equivalent forced outage rate for 2011 of 8.51%.
- The year-to-date OSHA Recordable Injury Rate for the San Juan Generating Station through November 2012 was 4.06. The year-to-date OSHA Lost Time Injury Rate through November 2012 was 0.58.

*TAB 6*

**FINANCE COMMITTEE MTG. FOR  
01/03/13 WAS CANCELED.**





TO: Bill D. Carnahan  
FROM: Kelly Nguyen  
SUBJECT: Director of Energy Systems Report  
DATE: January 9, 2013

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The following is a summary of monthly activities for inclusion in the SCPPA Board package:

### Resource Planning

The Resource Planning Committee held a regular meeting (1<sup>st</sup> Thursday of each month) on 01/03/12 and conducted routine discussions on industry market updates, reporting requirements, upcoming activities and regulatory/legislative updates.

The other special activities were:

- Reviewed and provided feedback on the new format of the Industry Updates presentation prepared by the Chair
- Feedback on Alpha Inception's presentation on cap and trade last month was discussed and announced that their services are available through an existing SCPPA Agreement
- Decision was made to bring back Black & Veatch for quarterly presentations; amendment to the PSA was negotiated for customized presentations and will be presented to SCPPA's Board for approval on January 17th
- Agreed on the course outline and dates for two RPS Seminars (March 12 &13 at SCPPA) by Braun Legal (CMUA's legal firm)
- The course outline for the "Rate-making 101 for POUs" class is being drafted for comments for either late February or March
- Solicited comments for the draft RFP on "Risk Management for Non-Risk Managers" training class; will revise and seek final comments before posting the RFP this month
- Presented the 5 proposals received on the Dodd-Frank Consulting Services RFP and discussed the selection process
- Presented the draft of the "2013 Issues for Resource Planning" document for discussion and feedback; emailed a revised version for final comments
- Decision made on the date to bring developers and LADWP for presentations on conventional generation projects; set for February 7, 2013 (right before and after the next Resource Planning meeting)

- Discussed the needs and benefits of holding joint meetings with the Renewables and Risk Committees in 2013

### **Renewable Energy**

The Renewable Energy Working Group held a regular meeting (the 2<sup>nd</sup> and 4<sup>th</sup> Thursday of each month) on 12/13/12 only due to the Christmas holidays and conducted routine discussions on transmission updates for renewable projects, WREGIS, regulatory/legislative updates, legal matters, financial analysis and various renewable projects.

The other special activities were:

- Updates regarding WREGIS: the next CEC guidebook is to clarify RPS verification requirements such as NERC E-tags in WREGIS; CMUA and LADWP provided comments to the CEC that the accounting process does not fit POUs, especially if the renewable project is in the utility's system
- The Renewable Development Agreement Phase II: negotiating projects will remain with Phase I Agreement with funds left; new projects will operate under the Phase II Agreement
- Finalized the Power Purchase Agreement with ORNI 47 LLC for a net capacity of 16 MW geothermal project; preparing documents for approvals
- Reviewed the Developing Renewable Projects Budget Tracking report; discussed concerns on the cost allocation method; action item to include in the general cost allocation redesign efforts at the Finance Committee
- Discussed obtaining NERC E-tag view access on projects that have firming and shaping services for settlement and accounting purposes
- Presented Renewables RFP proposals list of the last batch (147 projects) received; all were uploaded into SCPPA's secured site; group will start review and evaluation process in January
- 2013 Renewables RFP is now posted on SCPPA's website
- Presentation on Longview Fibre Biomass Facility (existing and new) was made by Longview Fibre, a large kraft pulp and paper mill

### **Transmission & Distribution Engineering & Operations (T&D E&O)**

The T&D E&O Working Group held regular meetings (1<sup>st</sup> Tuesday of each month) on 01/08/12. The Group conducted routine discussions on benchmarking, best practices and lessons learned.

The other special activities were:

- Discussed new topic items to add for 2013
- Anaheim shared the outage map on their public website and phone outage alerts via the "OC Alerts"
- Set up a separate web meeting on January 15, 2013 to draft up the Post-Sandy Report for DOE due January 25, 2013 (APPA's request)
- Discussed Smart Grid issues and different options on how to proceed with this topic going forward; agreed on the idea to pick one aspect of Smart Grid each month and hold joint meetings with other appropriate outside-committee staff relevant to the topic area – web meetings will be used
- Announcement of the Western Energy Institute's Board of Directors meeting in Rancho Palos Verdes on January 23-24, 2013; discussed SCPPA's future membership issues
- Announcement of the Distributech Conference in San Diego on January 29-31, 2013

- Presented on-site training information from APPA and the University of Wisconsin; decision to move forward on obtaining training from each of the two organizations annually; will send out surveys to members to seek interest and preferences
- Discussed the status of interns and job openings at the member utilities and future needs; recruitment (i.e., college job fairs) and SCPPA website postings are options for consideration

### **Conventional Generation**

The Generation Group did not have a regular meeting scheduled (3rd Tuesday of each month) in December due to the holidays, the next meeting is scheduled for January 15, 2013.

### **Transmission**

The Transmission Working Group did not have a regular meeting scheduled (2nd Thursday of each beginning quarter) in December; the next meeting is scheduled for January 10, 2013.



**TO:** Board of Directors  
**FROM:** James Lau  
**SUBJECT:** Regulatory Update  
**DATE:** January 17, 2013

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This memorandum includes updates on policies before regulatory agencies.

- I. Regulatory Activities
  - a. Emission Performance Standard
  - b. Biomethane
  - c. Cap and Trade Regulation – linkage with Quebec

## **I. REGULATORY ACTIVITIES**

### **a. Emission Performance Standard**

**Summary:** Energy Commission Chair Weisenmiller has scheduled a workshop on EPS for January 29 at 1 PM in Sacramento. According to the workshop notice, the chair has enough information to make a decision on 3 of the 4 issues in this proceeding. The undecided issue is on filing or notification requirements. As a result, this workshop will explore several questions relating to this issue:

1. Whether to establish a new filing or notification requirement for all POU investments in non-compliant facilities. The notice describes 4 different options.
2. If the Energy Commission were to establish a requirement for "major" investments, how should the term be defined? By a dollar amount? By some other criteria?
3. If the Energy Commission were to establish a requirement for "investments to meet environmental or other regulatory requirements," is there any further definition of this term necessary?
4. Would the two terms above capture the kinds of investments that are of most concern to parties? If not, what other category would be needed?
5. Is an attestation that POU investments in non-compliant facilities made during the prior year comply with the EPS sufficient to ensure that these investments are consistent with SB 1368?

In addition, the Chair requests:

6. A brief status update on our activities related to investments to meet environmental and regulatory requirements for non-compliant facilities.
7. Comments on the proposal to replace the term “covered procurement” with the term "investment" in Section 2913 of the regulations regarding the case-by-case review of pre-existing multi-party commitments.

**Action:** Hosted a call with San Juan participants to discuss response to these issues. Based upon comments, Norman Pedersen will develop written comments to file by January 22.

**Next Steps:** Attend and provide input at workshop.

## **b. Biomethane**

**Summary:** The California Public Utilities Commission (CPUC) opened a proceeding to implement AB 1900, Assemblymember Gatto’s bill on biomethane. This proceeding will focus on three provisions:

1. Standards and requirements relative to health, safety and facility integrity for biomethane injected into common carrier pipelines, including the obligation that gas corporation tariffs condition access to those pipelines on customers meeting the adopted standards and requirements.
2. Policies and programs to promote the in-state production and distribution of biomethane from a variety of sources.
3. Pipeline access rules to ensure that each gas corporation provides non-discriminatory open access to its system.

**Action:** Track discussions at the CPUC hearing at which the board initiated rulemaking.

**Next Steps:** Track rulemaking and work with members.

## **c. Cap and Trade Regulation – linkage with Quebec**

**Summary:** The Air Resources Board (ARB) issued proposed changes to the Cap and Trade Regulation to link California’s program with Quebec’s. After receiving public comments, the ARB will request the Governor to approve the linkage. If the Governor does so, the ARB will consider and approve the linkage changes at its February board meeting.

**Action:** The proposed changes were reviewed and circulated to the members of the SCPPA GHG Working Group for their information.

**Next Steps:** Track rulemaking and work with members.

# Morgan Meguire LLC

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## Memorandum

TO: Bill Carnahan, Executive Director

FROM: Lori J. Pickford, Executive Vice President

DATE: January 8, 2013

RE: **January Monthly Legislative Report**

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### I. Congressional Update - 113<sup>th</sup> Congress Begins

At the outset of the 113<sup>th</sup> Congress, Rep. John Boehner (R-OH) was re-elected Speaker of the House with 220 votes. His re-election comes as no surprise, but 12 Republicans (none from California) either opposed him, voted present, or abstained. This shows the increasing challenge Boehner has in maintaining support of his party.

All but five Democrats voiced their support for Nancy Pelosi (D-CA) to continue as Minority Leader — an improvement over 2011 when 20 Members declined to back her. All California Democrats voted for Pelosi.

The same day, many Congressional offices – mostly incoming freshman – held open houses to receive family, constituents, and other visitors. Among other House Members, Morgan Meguire's Tom Porter visited the offices of California Democratic Reps. Raul Ruiz, who defeated Rep. Mary Bono Mack (R-CA), and Juan Vargas, who replaced Rep. Bob Filner (D-CA), to briefly introduce SCPPA. The offices were not yet fully staffed, but Morgan Meguire will be working to do a formal introduction to Members and energy aides in the coming weeks.

#### *New Government Reform Subcommittee on Energy, Climate Caucus Formed*

House Oversight and Government Reform Committee Chairman Darrell Issa (R-CA) will establish a new subcommittee on energy policy, health care and entitlements in the 113<sup>th</sup> Congress. It will be chaired by Rep. James Lankford (R-OK).

A committee spokesman said Republicans intend to continue investigating the energy provisions of the federal stimulus program and the DOE loan program, as well as the natural gas boom.

Senate Environment and Public Works Committee Chairman Barbara Boxer (D-CA) is also forming a new caucus to work on legislation and a broader strategy on climate change. Boxer said her goal is to take advantage of the new attention the climate has gained after Hurricane

Sandy. The caucus is being formed “because people are coming up to me, they’re really wanting to get into this,” she told reporters on Dec. 11. “I think Sandy changed a lot of minds.”

The caucus will “work with all the committees and all the committee chairmen to make sure we can move forward legislation that reduces carbon pollution and also works on mitigation and all the other elements,” she said. “There’s a tremendous appetite on our side to do that.”

She said no Republicans have yet expressed interest, but Democrats are “sending out feelers.”

## **II. Unfinished Business from the 112<sup>th</sup> Congress**

### *Fiscal Cliff Avoided; More Battles Loom*

On Jan. 3, 2013, President Obama signed H.R. 8, *the American Taxpayer Relief Act of 2012*, a bill to avert the “fiscal cliff,” set to occur on January 1, 2013 had no agreement been reached. The agreement extends tax rates for all but the wealthiest Americans and pushes back the “sequester” spending cuts until March. On New Year’s Eve, the bipartisan agreement passed the Senate by a vote of 89-8, with the House taking action in a late night 257-167 vote on Jan. 1, 2013. Sens. Dianne Feinstein (D-CA) and Barbara Boxer (D-CA) voted in favor of the bill. To see how your House Member voted, see the [roll call](#) breakdown.

The final agreement was negotiated by Vice President Joe Biden and Senate Minority Leader Mitch McConnell (R-KY) and, of primary importance to SCPPA and public power, *does not* include any restrictions on tax exempt financing.

While no limits on the interest exclusion for municipal bonds were included in the final agreement, it is not a final win: Congress and the White House plan to address in 2013 measures to reduce the federal deficit, reform entitlements, and address tax reform. In March, Congress will need to address sequestration, the debt ceiling, and appropriations. It is in the context of all these discussions that tax-exempt municipal bonds will again, likely, be in play.

APPA warned that the President’s proposal to limit the deductibility of municipal bond interest to 28% was on the table during December negotiations and encouraged its members to weigh in with their Congressional delegations to keep the proposal out of the final deal. APPA and 19 other state and local associations also sent a Dec. 20 letter to the President and Speaker Boehner asking them not to change the tax treatment of municipal bonds.

Morgan Meguire’s Deborah Sliz and Lori Pickford highlighted this issue at SCPPA’s Annual Board Meeting and Holiday luncheon in December urging Members to make this a high priority. In turn, Morgan Meguire prepared a legislative alert that was sent to SCPPA for members to request them to immediately contact Members of Congress to resist efforts to tax municipal bonds. This issue will be highlighted when SCPPA members come to Washington to meet with their congressional delegation in March 2013.

Other provisions in the final agreement of interest to SCPPA and the utility sector are tax incentives promoting renewable investments, energy efficiency, mass transit benefits and also electric vehicle infrastructure.

### Renewables

The bill includes a one-year extension of the 2.2 cent per kWh Production Tax Credit (PTC) for wind power, through 2013. Additionally, Congress made a key change to allow eligible renewable projects that have begun construction by that date to qualify for the PTC, rather than just projects *operational* by the deadline.

The PTC modification also applies to other renewable resources, such as closed loop biomass, geothermal, small irrigation power, qualified hydropower – including marine and hydrokinetics – and municipal solid waste. The timing change will be particularly helpful for projects such as hydropower and geothermal development, which need a longer lead time to site and place in service.

The “begin construction” language change will also apply to projects, such as solar and fuel cells, which may elect the Investment Tax Credit (ITC) in lieu of the PTC.

### Energy Efficiency

The final agreement extends throughout 2013, and makes retroactive for 2012, tax credits of up to \$500 for homeowners who make specific energy efficiency home improvements. It also continues \$2,000 tax credits for 2012 and 2013 for builders of new, highly efficient homes, with the goal of transforming the housing market to save consumers money on heating and cooling – the largest chunk of a homeowner’s energy bills.

The bill also places pretax mass transit or van pool benefits on equal footing with those benefits currently available to those that drive and park. Workers whose employers offer such benefits can pay for their monthly transportation costs through pretax payroll deductions, saving them money. In 2012, the amount that mass transit commuters were allowed to set aside monthly in their pretax commuter accounts fell to \$125, from \$230, while the limit for parking costs increased to \$240, from \$230, because of a cost of living adjustment. The final agreement increases the pretax transit benefit to \$240 a month.

Finally, the bill includes tax incentives to American manufacturers of highly-efficient appliances, such as refrigerators, clothes washers, and dishwashers.

### Electric Vehicles

The bill extended, through 2013, the alternative fuel vehicle refueling property credit, which expired at the end of 2011. Taxpayers may claim a 30 percent credit for the cost of installing clean fuel vehicle refueling property placed in service by the taxpayer at a business, not to exceed \$30,000 per year, or a principal residence, not to exceed \$1000 per year.



The bill reforms and extends the tax credit for two- and three-wheeled, highway capable, plug-in electric vehicles for 2-years. The tax credit can cover up to 10 percent of the vehicles cost or a maximum of \$2,500.

### *Other Issues of Interest*

Of interest to investor-owned utilities and other private corporations, the bill increased tax rates on capital gains and dividends from 15 to 20 percent for taxpayers with incomes above \$400,000 (individual) /\$450,000 (joint), on a permanent basis. A 15 percent tax rate will apply to taxpayers below these income levels. If no fix was included, corporate dividends would have been subject to ordinary income tax rates. Protecting a lower tax rate for capital gains and dividends was the top priority for the Edison Electric Institute, which views the agreement as a “win.”

Finally, the bill suspends for two months (until March 1, 2013) the impending federal sequester (or automatic spending cuts), and will have considerable impact on nearly all federal agencies, including the Departments of Energy and the Interior, as well as Environmental Protection Agency.

Given that many Congressional Republicans, including a majority of those in the House, opposed the final legislation over the lack of long-term spending cuts, the GOP will likely try to exact additional concessions from the White House and Democrats on entitlement spending in the coming weeks.

Whatever the final result, it will likely again go down to the wire, which has become the new “normal” in Washington.

A detailed summary, revenue chart, and the statutory language of the fiscal cliff agreement were previously sent to SCPPA.

### **III. Grassroots Efforts Oppose Taxing Municipal Bonds**

#### *Governors Met with President, Warned Against Shifting Costs to States*

Earlier in December, representatives from the National Governors Association (NGA) met with President Obama and Vice President Biden on “fiscal cliff” issues and the potential implications for states. “We know that changes in tax policy and spending are likely,” a statement from the NGA said. “When they are made in ways that dramatically affect states, they must be done equitably and in close collaboration with governors.”

NGA encouraged the President and Congress to follow several key principles, including that federal reforms should produce savings for both the federal government and states and that deficit reduction should not be accomplished by merely shifting costs to states or imposing unfunded mandates. Taxing municipal bond income has been cited as an example of federal policy that would shift the tax burden from the federal government to state and local governments, rather than achieving tax relief for citizens.

NGA is a member of the Public Finance Network – an informal coalition of state and local government associations, including APPA, that has worked to preserve the use of tax-exempt bonds and is an important ally on bond issues.

#### *State and Local Group Make Case for Municipal Bonds*

In a related effort, on Dec. 5, a group of 20 national, state and local governmental associations, including the American Public Power Association, co-signed an op-ed published in *Politico* in defense of municipal bonds. The letter made the case that taxing municipal bonds would overturn a century of precedent and increase the cost of critical infrastructure investments – a cost that can only be paid with increased state and local property taxes, sales taxes, income taxes and utility rates.

The op-ed focuses on recovery efforts from Hurricane Sandy, which has affected states, towns, counties, transit authorities, utilities and other government entities who have a significant amount of work to do repairing and rebuilding the physical infrastructure. They note that, but for federal assistance, “Municipal bonds are the way in which these costs are traditionally financed. They have also played an integral role in rebuilding our communities following various disasters including New York and other communities affected by the Sept. 11 terrorist attacks; the Gulf Coast region after Hurricanes Katrina and Rita; etc...”

The group highlighted the cost increases that would result if Congress eliminated the tax exclusion for municipal bonds. “Taxing municipal bonds would immediately increase interest payments on all new issuances of municipal bonds by as much as 2 percentage points. This will either cause a significant decrease in infrastructure spending by states and municipalities - and exacerbate the economic uncertainty we face nationally - or cost taxpayers and ratepayers billions of dollars in higher interest costs each year,” the groups said.

Moreover, the group said proposals to limit or eliminate municipal bonds put forward in the context of tax reform or deficit reduction will harm state’s infrastructure development. The letter said, “Comprehensive tax reform will most likely be a major issue for the 113th Congress. Hurricane Sandy offers policymakers a blunt reminder about the critical role of tax-exempt financing in rebuilding our communities and a painful warning to “do no harm” to this essential infrastructure financing tool. Curtailing the ability to issue municipal bonds would cause governments - and taxpayers - to pay more for their infrastructure needs. Municipal bonds are a tried-and-true vehicle that allows communities to meet the needs of their citizens.”

For a copy of the letter or to see the list of the 20 organizations that sent the letter, click [here](#).

#### **IV. Administration Changes**

##### *Cabinet Shuffle Begins*

As President Obama’s second term gets under way, and 113<sup>th</sup> Congress is sworn in, the White House is announcing several nominations to replace retiring cabinet officials.

On Jan. 7, sources told the Seattle *Post-Intelligencer* and *Politico* that the White House is likely to nominate outgoing Washington Gov. Christine Gregoire to replace Lisa Jackson as EPA Administrator. Gregoire was director of Washington's Department of Ecology before being elected Attorney General in 1992. The future governor made her reputation by negotiating a Hanford nuclear waste cleanup agreement with the first Bush administration, which has held up in court through efforts by the federal government to wiggle out of their commitments.

EPA's Deputy Administrator Bob Perciasepe will likely become Acting Administrator when Jackson departs. An Acting Administrator would be able to serve 210 days before the President even submits a nomination. Once nominated, the acting chief could stay in place until the Senate takes action or the nomination is withdrawn. If the Senate rejects a nomination or the President withdraws it, another 210-day period begins. If a second nomination is rejected, returned, or withdrawn, then the third – and last – 210 day period begins. Given these rules, EPA could, theoretically, operate without a permanent Administrator for Obama's entire second term.

Last week, White House announced it would tap Sen. John Kerry (D-MA) to be Secretary of State. Following his confirmation, Kerry would resign the seat he has held for 28 years. Shortly after the announcement, Rep. Ed Markey (D-MA) announced his plans to run for Kerry's Senate seat. Kerry and the Massachusetts Democratic Party have announced their support for Markey, in the hope of avoiding a bitter, costly Democratic primary. That outcome seems likely, but Markey may face a formidable challenger in former Sen. Scott Brown, who narrowly lost his seat to Sen. Elizabeth Warren in November.

Should Markey succeed, he would vacate his position as Ranking Member on the House Natural Resources Committee, a perch he has used to challenge initiatives of Western Republicans and to criticize the federal hydropower program and the Power Marketing Administrations.

Markey is also a senior Member of the Energy and Commerce Committee, and during the 111<sup>th</sup> Congress was the Chairman of the Select Committee on Energy Independence and Global Warming created by former House Speaker Nancy Pelosi (D-CA) to focus attention on the issue and the need for federal legislation.

Senate confirmation hearings for the nominees are expected to commence shortly.

## **V. Cyber Security**

On Nov. 14, the Senate failed for the second time to end debate on S. 3414, the comprehensive Lieberman-Collins cyber security bill. S. 3414 would have authorized the Department of Homeland Security (DHS) to identify the most critical of critical assets across all critical sectors, develop performance-based standards to protect those assets, and impose penalties for violations of those standards. The electric sector argued that this approach would create duplicative, possibly inconsistent standards that would not improve cyber security and would increase costs for utilities. Senate Republicans put forth an alternative bill, S. 3342, that would authorize information sharing and cyber security research and development, but not give any federal agency regulatory authority.

Following the second failed cloture vote in the Senate, Majority Leader Harry Reid (D-NV) announced that the bill was dead for the year, increasing the likelihood that the White House will issue an Executive order directing federal agencies to use existing authorities to promote more vigorous protection of critical private sector infrastructure.

To date, no Executive order has been issued, but drafts have been circulated. We anticipate that legislation will advance in the 113<sup>th</sup> Congress - either in response to what Members may see as White House overreach, or to deal with issues that cannot be addressed administratively. The White House has said that legislation will still be needed to authorize liability protection for owners/operators of critical infrastructure, and to compel those entities to provide information on cyber security events and vulnerabilities to the government.

## **VI. Dodd Frank**

On Nov. 19, APPA, LPPC, TAPS, and the Bonneville Power Administration sent a letter to Gary Gensler, Chair of the Commodity Futures Trading Commission (CFTC) asking that the Commission act on the groups' July 12 petition for relief from the "special entity" sub-threshold that has caused swaps counterparties to abandon future dealings with municipal utilities. Some counterparties fear that the \$25 million threshold for dealings with municipal utilities and other special entities will force them to register as highly-regulated swap dealers, and, as a result, they have indicated that they will avoid entering into new swaps with municipal utilities.

The CFTC had issued a "no action letter" on Oct. 12 clarifying that entities would be allowed to deal in up to \$800 million of swaps with government-owned utilities without being labeled a swap dealer. However, APPA found that counterparties had already made the decision not to transact with municipal entities, and the "no action" letter was insufficient to entice those entities to enter into new swaps.

The letter points out several reasons why the "no action" relief hasn't worked: the special entity in question must be using the swap to "hedge" – according to a narrow definition of the term – a physical position; the counterparty must undergo complicated analysis to determine that it is not a financial entity; the swap must be in an exempt commodity; and the counterparty must file additional reporting on its use of the exemption in the no action letter.

Acting on the petition, the groups argued, would provide long-term relief that may coax counterparties back into trades with municipal utilities.

### *California Members Send CFTC Letter Urging Sub-Threshold Action*

On Dec. 12, seven California Representatives sent a bipartisan letter to Commodity Futures Trading Commission (CFTC) Chair Gary Gensler asking that the Commission act on the petition from APPA, LPPC, and others to provide relief from the "sub-threshold" that has caused swaps participants to avoid trading with municipal utilities.

"Nothing in the *Dodd-Frank Act* requires the CFTC to restrict the ability of government-owned utilities to use swaps to hedge against commercial risks arising from their operations," the letter says. It references the Oct. 12 No Action Letter granting partial relief from the threshold, saying

the fix is “welcomed,” but “far from perfect.” The Members call on the CFTC to grant the not-for-profit groups’ petition, noting the exclusion requested would only apply to operations-related government-owned utility swaps used to hedge commercial risks.

The letter was signed by Democratic Reps. Jerry McNerney, Anna Eshoo, Lois Capps, Mike Honda, and Barbara Lee, and Republican Reps. Tom McClintock and Wally Herger.

## **VIII. Climate Change**

### *Enviros Press the White House for Action on Climate*

On Jan. 7, 70 environmental groups sent President Obama a [letter](#) urging action on climate change in his second term. The President has made several statements about climate change since he was re-elected in November; the most recent during his public address commending Congress on reaching a deal on the “fiscal cliff” issues, and also during the campaign, when he said, “Climate change is not a hoax. More drought and floods and hurricanes and wildfires are not a joke. They’re a threat to our children’s future. And we can do something about it.”

The letter’s signatories, who include the Natural Resources Defense Council and Sierra Club, urged the President to build upon the historic vehicle standards and other progress made during his first term, by “taking three decisive steps to curb dangerous carbon pollution.” They encourage the President to “raise his voice, use his executive authority and reject dirty fuels.”

Specifically, they say the President has the authority under existing law (the *Clean Air Act*) to achieve urgently needed reductions in carbon pollution that is disrupting our climate and damaging our health. “Most significantly,” the groups wrote, “you can set standards that cut carbon pollution from America’s aging power plant fleet at least 25 percent by 2020 while boosting energy efficiency and shifting to clean energy sources.”

Power plants are our largest source of carbon pollution and you have the authority and responsibility to clean them up under the *Clean Air Act*, the groups said. “This will create tens of thousands of clean energy jobs, meet the pollution targets you set for the country, and restore U.S. international leadership,” the groups said.

## **VII. FERC, NERC Developments**

### *Incentive Transmission Rates*

The Federal Energy Regulatory Commission (FERC) issued a “Policy Statement” on Nov. 13 to provide additional guidance and clarity to its transmission incentives policies. The policy will apply to transmission applications seeking an incentive return on equity (ROE) submitted after the date of issuance. Public power, consumer advocate and state regulatory communities have been calling on FERC to be more judicious in approving incentive adders for new transmission projects.

FERC clarified that an applicant must exhaust efforts to reduce risks through “risk reducing” incentives, *before* seeking an incentive ROE. The Commission noted that such risk reducing incentives in many cases are sufficient to reduce the risk associated with the transmission investment and said it will “carefully apply its total package analysis” to ensure the effect of risk reducing incentives is appropriately accounted for in determining if an ROE incentive is warranted.

Additionally, the policy guidance states its expectation that applicants for an incentive ROE would commit to limiting the incentive to a cost estimate, in order to avoid the unintended consequence of providing an incentive to project developers who have not committed to control project costs.

### *NERC Releases Reliability Assessment*

On Nov. 29, the North American Electric Reliability Corporation (NERC) released its [Long-Term](#) Assessment.

The assessment provides a ten-year view of the electricity industry by evaluating key indicators that may impact the reliability of the bulk power system, including peak demand and energy forecasts, resource adequacy, transmission development, changes in overall system characteristics and operating behavior, and other issues.

The assessment finds that during the next ten years, the electricity industry will continue to vary its resource mix with more reliance on natural gas-fired generation, a reduction in coal-fired capacity, and larger amounts of variable generation.

“The on-going changes to the resource mix will require significant adjustments to existing planning and operating practices to maintain grid reliability,” said John Moura, Associate Director of Reliability Assessment at NERC. “In many areas across North America, the challenge to reliably accommodate a change in resource mix will require careful planning and time for necessary transmission upgrades.”

The report focuses on eight key findings, including:

- Significant fossil-fired generator retirements over next five years;
- Planning reserve margins in ERCOT lower than target;
- Favorable resource adequacy assessments for majority of areas;
- Increased dependence on natural gas for electricity generation;
- Long-term generator maintenance outages for environmental retrofits;
- Large growth in renewable resources;
- Significant transmission growth to accommodate new and distant renewable generation;  
and
- Demand-side management offsets future resource needs.

### *FERC Retains Control of Excluding Lines from BES*

On Dec. 20, the FERC gave final approval of a regulatory definition of the Bulk Electric System (BES), which has been in the works for a number of years. FERC had directed the NERC to establish an operational definition of the BES based on a 100-kV bright-line test, rather than allowing the regional discretion in determining what facilities are necessary for operation of the grid.

NERC drafted a proposal that was supported by the industry; it would adhere to a 100-kV test that also contained specific inclusions and exclusions based on the technical configuration of the facility. NERC also proposed a process by which utilities could exclude specific facilities by petitioning NERC.

In the Final Order, FERC took back the authority to review potential exemptions. It is not clear whether the change will cause problems for utilities looking to exempt facilities above 100 kv that they believe do not impact the integrated operation of the grid, because NERC's proposed BES definition already excluded a number of facilities above 100-kV.

However, FERC has expressed concern about sub-100-kV lines after the 2011 Southwest power outage. Thus, it is possible that sub-100-kV lines drawn into the BES as part of an inclusion will have a tougher time getting exempted if FERC is reviewing the process.

### *FERC Will Monitor California's Cap-and-Trade Regime*

Commissioners heard a staff presentation on California's cap-and-trade system at the behest of Commissioner Phil Moeller, who had expressed concerns about the costs the new regime might impose on surrounding states. The program has the potential to be a "wealth transfer from other states to California," said Moeller in the meeting, and he expressed intent to monitor the progress of the system.

Commissioner Cheryl LaFleur was more sanguine about the program's prospects. She noted that New England's Regional Greenhouse Gas Initiative, in which she was involved, had been a success story and that California was likely to see similar results. Chair Jon Wellinghoff also said he hoped California would be successful.

### *FERC Denies Rehearing 15-minute Scheduling, PMA Violations*

The Commission denied rehearing in several dockets, including several of interest to public power. Among the items FERC declined to revisit are 1) its decision on *Iberdrola v. Bonneville Power Administration*, on 15 minute scheduling to integrate variable energy resources, and 2) its order affirming the Commission's ability to impose reliability violations on Power Marketing Administrations.

The *Iberdrola* decision required Bonneville Power Administration (BPA) to ensure its transmission service to customers employing wind generation is comparable to the service it provides itself. Iberdrola Renewables and others had argued that BPA's redispatch policy, designed to remedy excessive water conditions behind its dams by curtailing wind production

and substituting hydropower, was discriminatory under the *Federal Power Act*. The complainants argued that BPA's curtailment of wind generation unduly discriminated against wind resources, and asked FERC to act under FPA section 211A to direct BPA to revise its curtailment practices and to file and maintain a Commission-approved OATT.