



TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: UTILITIES

DATE: OCTOBER 29, 2007 CMR: 395:07

SUBJECT: ADOPTION OF A RESOLUTION APPROVING THE EXECUTION OF THE AMENDED AND RESTATED NORTHERN CALIFORNIA POWER AGENCY JOINT POWERS AGREEMENT

RECOMMENDATION

Staff recommends that Council adopt the attached resolution approving the execution of the Amended and Restated Northern California Power Agency (NCPA) Joint Powers Agreement (JPA).

BACKGROUND

The City of Palo Alto has been a full signatory party to the NCPA JPA since its formation in 1968. The JPA has undergone several minor amendments since then, primarily for the purpose of admitting new members to the JPA, but the principal agreement has remained intact.

During the Spring of 2006, the NCPA Commission established an ad hoc Governance Committee (GC) to address matters related to members' entry to and exit from NCPA program areas and to identify funding policies and budget allocation procedures. As part of that process, the GC reviewed the existing NCPA JPA and made several recommendations to revise and update the JPA.

DISCUSSION

NCPA has multiple categories of members participating in NCPA projects and receiving various combinations of services. Some members are large, some small; some participate in NCPA projects, others do not; some are in the power pool, some are not. In addition, not all members operate in the same electric transmission control area. To accommodate these differences and to provide NCPA and its members with the appropriate funding tools to assure that NCPA can effectively meet member needs, the GC recommended a three-tiered approach to revising the JPA:

- 1) Member Annual Assessment: The current JPA provides for annual assessments to NCPA members of up to 10 cents per peak kW of retail electric load. The total NCPA assessment and collection of this amount totals about \$180,000 per year, a relatively small portion of the overall NCPA budget and insufficient to cover even a modest portion of current NCPA general overhead and management costs. This fee structure has not changed since 1968.

The GC recommended that this charge be adjusted to assess up to 15 cents per MWh, collecting a total of approximately \$1.5 million per year. The additional revenue will be used to lower programmatic assessments to all members in the core NCPA programmatic areas of legislative services, regulatory services and member services. As a result, though the JPA assessment will increase for all members, the total NCPA assessment for each member is expected to remain relatively flat.

- 2) Program Entry / Exit: The existing JPA provides that members may withdraw from the JPA with only a 30 day notice. The GC recommended that this period be revised to provide a minimum of two years notice to withdraw from the JPA. This change would provide funding certainty for two years following a notice to withdraw, providing adequate time to plan for and implement any needed adjustments resulting from the withdrawal. New members to NCPA programmatic areas will also be required to participate for a minimum of two years.
- 3) General JPA Changes: The entire JPA has been reviewed by NCPA General Counsel and members of the NCPA Legal Committee to edit, add, or remove various sections or language within the JPA which are either out of date or no longer applicable. The changes have been reviewed and approved by the Palo Alto City Attorney's Office.

The JPA changes strengthen NCPA's operations and provide the City greater certainty of NCPA service levels. The NCPA Commission unanimously approved the amended agreement on September 28, 2007 and recommended that member governing bodies approve the amended agreement (Attachment C).

Staff recommends that the City Council adopt a resolution (Attachment A) approving the execution of the Amended and Restated NCPA JPA (Attachment B). The agreement is expected to be approved by all NCPA member governing bodies by the end of the year, and will become effective when all parties have executed the agreement.

RESOURCE IMPACT

The total NCPA service assessment to the City is \$3.9 million in FY 07-08. The change in JPA assessment will have a minimal impact on City's total assessment, and is preliminarily projected to increase by \$9,800 as a result of implementing the new JPA assessment next year.

POLICY IMPLICATIONS

The amendments to the JPA are consistent with the Council-approved Utilities Strategic Plan to improve business process and organizational efficiency and effectiveness.

ENVIRONMENTAL IMPACT ASSESSMENT

Approval of the NCPA JPA does not meet the definition of a project pursuant to California Public Resources Code §21065, thus no environmental assessment is required.

ATTACHMENTS

Attachment A: Resolution of the Council of the City of Palo Alto

Attachment B: Amended and Restated NCPA JPA

Attachment C: NCPA Commission Resolution of 9/28/2007 approving the Amended JPA

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