

Balancing Authority of Northern California

Regular Meeting of the Commissioners of BANC

2:00 P.M.

Wednesday, April 26, 2017

915 L Street, Suite 1480

Sacramento, CA 95814

Balancing Authority of Northern California

NOTICE OF REGULAR MEETING AND AGENDA

Notice is hereby given that a regular meeting of the Commissioners of the Balancing Authority of Northern California (BANC) will be held on **April 26, 2017 at 2:00 p.m.**, at **915 L Street, Suite 1480, Sacramento, CA 95814.**

This meeting shall also consist of a simultaneous teleconference call at the following location:

City of Shasta Lake
4332 Vallecito Street, City of Shasta Lake, CA 96019

AGENDA

- 1 Call to Order.**
- 2 Matters subsequent to posting the Agenda.**
- 3 Public Comment** – any member of the public may address the Commissioners concerning any matter on the agenda.
- 4 Consent Agenda**
 - A. Minutes of the Regular Commission Meeting held on February 22, 2017.
 - B. BANC Operator's Report (February and March).
 - C. Compliance Officer's Report (March and April).
 - D. PC Committee Report.
 - E. General Manager's Report.
- 5 Regular Agenda Items – Discussion and Possible Action**
 - A. Consider and Possibly Approve Resolution 17-04-05 *Appointing Secretary of BANC.*
 - B. Consider and Possibly Accept 2016 Audited Financials. Summary of 2016 expenditures and budget.
 - C. Update on EIM implementation. Consider and Possibly Approve Resolution 17-04-05 *EIM Phase 2 Consultant Support and BANC Funding Mechanism.*
 - D. Regulatory Report.
 - E. Discussion on Strategic Planning Matters.
- 6 Adjournment**

MINUTES OF THE REGULAR MEETING OF THE COMMISSIONERS OF THE
BALANCING AUTHORITY OF NORTHERN CALIFORNIA (BANC)

February 22, 2017

On this date, a Regular Meeting of the Commissioners of the Balancing Authority of Northern California (BANC) was held at 915 L Street, Suite 1480, Sacramento, CA 95814.

Voting Representatives Present:

Member Agency	Commissioner / Liaison
Modesto Irrigation District	James McFall, Acting Chair
City of Redding	Paul Cummings
City of Roseville	Shawn Matchim
Sacramento Municipal Utility District	Arlen Orchard
City of Shasta Lake	Absent
Trinity Public Utilities District	Paul Hauser
Western Area Power Administration	Absent (Sonja Anderson, Kevin Howard present)

1. Call to Order: Chair McFall called the meeting to order at 2:03 p.m. and roll call was taken of Commissioners.
2. Matters Subsequent to Posting the Agenda: None.
3. Public Comment: Chair McFall invited comments from the public and none were given.
4. Consent Agenda: Mr. Hauser moved, Mr. Orchard seconded, and the participating Commissioners unanimously approved the Consent Agenda items comprised of the: (A) Minutes of the Regular Commission Meeting held on December 28, 2016; (B) BANC Operator's Report; (C) Compliance Officer's Report; (D) PC Committee Report; and (E) General Manager's Report.
5. Regular Agenda Items:
 - A. Mr. Cummings moved, Mr. Matchim seconded, and the participating Commissioners unanimously approved Resolution 17-02-01 *2017 Participation Percentages*.
 - B. Mr. Shetler led a discussion on the EIM implementation process including activities of BANC's EIM Oversight Group. Primary tasks involved identifying costs, evaluating cost allocation methodologies (i.e., BANC, SMUD or shared) administering the joint BANC-SMUD EIM Project management RFP. Mr. Shetler and Mr. Smith explained the two key agreements presented for Commission consideration and possible approval. The BANC EIM Implementation Agreement, between BANC and the CAISO, sets forth the terms for BANC's phased participation in the EIM. The BANC EIM Participation Agreement, a project agreement between BANC and SMUD, prescribes such things as the respective parties' obligations, costs, Reliability Standard violation liability and governance structures. Mr. Orchard moved, Mr. Hauser seconded, and the participating Commissioners unanimously approved Resolution 17-02-02 *EIM Implementation Agreement*. After further discussion, Mr. Cummings moved, Mr. Matchim seconded, and

MINUTES OF THE REGULAR MEETING OF THE COMMISSIONERS OF THE
BALANCING AUTHORITY OF NORTHERN CALIFORNIA (BANC)

the participating Commissioners unanimously approved Resolution 17-02-03 *EIM Participation Agreement*.

- C. After discussion, Mr. Orchard moved, Mr. Matchim seconded, and the participating Commissioners unanimously approved Resolution 17-02-04 *BANC/SMUD Dynamic Scheduling Operating Agreement*. As described by Mr. Smith, this agreement addresses NERC/WECC liability based on SMUD's decision to sell regulation services to the CAISO through a dynamic scheduling arrangement.
- D. Resulting from the wet year and very high inflows into California's reservoirs, evaluations were conducted to assess system reliability impacts should certain hydroelectric facilities go out of service. Mr. Willis provided this operations update.
- E. Mr. Shetler updated the Commission on the Strategic Plan progress. Among other things, he will work with the BANC Operator and counsel to improve document management and the BANC website. He also said that he will be scheduling meetings to meet individually with each BANC Commissioner.
- F. Mr. Willis provided an update on the Cyber Security Mutual Assistance activities.
- G. Mr. McLaughlin explained that Form 700's for BANC can only be submitted electronically, with a deadline of April 3, 2017.
- 6. Closed session: Conference with legal counsel - significant exposure to litigation pursuant to subdivision (c) of Cal. Gov't Code § 54956.9; three cases. Upon returning to open session, it was reported that no action was taken during closed session.

The meeting was adjourned at 3:24 p.m.

Minutes approved on April 26, 2017.

Bruce McLaughlin, Secretary



BALANCING AUTHORITY OF NORTHERN CALIFORNIA

P.O. BOX 15830 • D109 • SACRAMENTO • CA 95852 -1830

TO: BANC Commission

RE: BANC Operator Report for February 2017 - REVISED

Operations:

- Normal BA operations
- No significant BA issues
- NWPP
 - 1 contingency requiring activation of NWPP
 - 139.1 MW average generation lost
 - 139.1 MW maximum generation lost
 - All recoveries within 3.75 minutes
- USF
 - 8 of 28 days with instances of USF mitigation procedure utilized
 - 3 days on Path 66
 - No operational impact on BANC

Monthly Notes:

- No additional notes for February 2017

A JOINT POWERS AUTHORITY AMONG

Modesto Irrigation District, City of Redding, City of Roseville, Trinity Public Utilities District,

City of Shasta Lake, and Sacramento Municipal Utility District



BALANCING AUTHORITY OF NORTHERN CALIFORNIA

P.O. BOX 15830 • D109 • SACRAMENTO • CA 95852 -1830

TO: BANC Commission

RE: BANC Operator Report for March 2017

Operations:

- Normal BA operations
- No significant BA issues
- NWPP
 - 0 contingencies requiring activation of NWPP
 - 0 MW average generation lost
 - 0 MW maximum generation lost
 - All recoveries within 0 minutes
- USF
 - 15 of 31 days with instances of USF mitigation procedure utilized
 - 6 days on Path 66
 - No operational impact on BANC

Monthly Notes:

- No additional notes for March 2017

A JOINT POWERS AUTHORITY AMONG

Modesto Irrigation District, City of Redding, City of Roseville, Trinity Public Utilities District,
City of Shasta Lake, and Sacramento Municipal Utility District

Compliance Officer's Report

BANC Commission

March 2017

The following summarizes routine issues for the Commission's information and consideration. Any major issues or action items will be identified separately on the Commission agenda for action.

BA Compliance Issues:

- No significant operational Balancing Authority compliance events occurred.
- All required BA compliance reports and operating data were submitted to WECC.
- Routine periodic compliance reviews of selected BA operational actions and data confirm that all standard requirements reviewed are being met or exceeded.
- BANC submitted two Self Log entries for Q4, 2016 on February 1, 2017. The two self-logged issues are under review by WECC with additional data requests received:
 - 1) CIP-006 R5: Loss of Escort for a visitor in a High Impact Control Center: WECC Requested additional evidence of how BANC has mitigated the matter, and details regarding the BANC / SMUD relationship at the Control Center.
 - 2) INT-006-4: eTagging software automatically approved an invalid 5 MW tag (the tag was missing the required BA-to-BA adjacency). WECC requested information as to whether the eTag was allowed to expire or if it was declined after approval occurred. (It did not expire nor was it declined.)

BANC MCRC:

- The Members Compliance Review Committee (MCRC) met on March 21, 2017. MCRC members received written report of all monthly compliance assurance activities and investigations. Reports from compliance event reviews that resulted in findings of full compliance with applicable standards are also shared with BANC members on an informational basis.

Compliance Officer's Report

BANC Commission

April 26, 2017

The following summarizes routine issues for the Commission's information and consideration. Any major issues or action items will be identified separately on the Commission agenda for action.

BA Compliance Issues:

- No significant operational Balancing Authority compliance events occurred.
- All required BA compliance reports and operating data were submitted to WECC.
- Routine periodic compliance reviews of selected BA operational actions and data confirm that all standard requirements reviewed are being met or exceeded.
- BANC submitted two Self Log entries for Q4, 2016 on February 1, 2017. The two self-logged issues are still under review by WECC:
 - 1) CIP-006-6, R2: Loss of Visitor Escort in a High Impact Control Center.
 - 2) INT-006-4, R1: eTagging software automatically approved an invalid 5 MW tag (the tag was missing the required BA-to-BA adjacency).
- BANC Internal Compliance Program Assessment ("ICPA") Survey: At WECC's request, BANC prepared and submitted an updated ICPA Survey, along with nearly 700 pages of documentation supporting the formal nature and effectiveness of BANC's Internal Compliance Program.

BANC MCRC:

- The Members Compliance Review Committee (MCRC) met on April 24, 2017. MCRC members received a written report of all monthly compliance assurance activities and investigations. Reports from compliance event reviews that resulted in findings of full compliance with applicable standards are also shared with BANC members on an informational basis.

BANC PC Committee Chair's Report

April 2017

The following summarizes Planning Coordinator-related issues for the Commission's information and consideration. Any major issues or action items will be identified separately on the Commission agenda for action.

BANC PC Committee Issues:

- The PC Committee held its second meeting on 4/12/2017. Agenda items included:
 - A review of the proposed 2017 BANC PC Area Planning Assessment Study Plan (TPL-001-4). The study plan proposes a study completion date in October 2017.
 - A review of a proposed PC Compliance Schedule that contains key milestones for demonstrating compliance with all PC-related standards by the end of 2017.
- SMUD and Redding Electric Utility agreed in principle for SMUD to perform Redding Electric Utility's portion of the 2017 BANC PC Area Planning Assessment.
- SMUD's planned visit to Roseville Electric was postponed due to an issue at the Roseville Electric Park power plant.

GM Report

BANC Commission Meeting

4/26/2017

I wanted to summarize routine issues for the Commission's information and consideration. Any major issues or action items will be identified separately on the Commission agenda for action.

Outreach Efforts:

Refer to GM outreach report provided under separate distribution. In addition, here are some other noteworthy items:

TID

We continue to dialogue with TID regarding potential joint efforts on EIM participation. TID provided feedback that they have been given authority to work with BANC on potential EIM participation and possible joint use of the SMUD/BANC EMS.

LADWP/Seattle City Light/SRP

Dialogue continues with these entities regarding EIM participation. LADWP received approval from its Board in March of the EIM Implementation Agreement with CAISO and will be seeking approval from the City Council in April to participate in EIM. They are shooting for a Spring 2019 go-live date. Seattle City Light received approval in November from the City Council to proceed with participation in EIM, and they are forecasting an April 2019 go-live date. SRP management received approval from its Board in February to participate in EIM. They are currently forecasting "go-live" in spring 2020. We have discussed how this group should proceed in light of our invitation to participate in the EIM Information and Policy Forum (i.e. – EIM Users' Group). Based upon our discussions we have agreed that we should continue to interact on an informal basis to make sure we are on the same page on EIM issues from a POU perspective.

POU Western Markets Initiative

BANC continues to participate in this effort, which is being coordinated by APPA. The next face-to-face meeting of the group will be on 5/22/17 in Portland. The group continues to evaluate how best to represent the POUs in the ever-changing power markets in the West.

Market Initiatives:

ADI/FRSG

With the launch of the new BAAL approach, the BANC has suspended participation in ADI as of June 1, 2016. We anticipate that we will be withdrawing from ADI sometime in 2017.

BANC continues to work with the NWPP on a joint effort for meeting the new frequency reserve requirements of NERC BAL-003, which was phased-in late 2016. Implementation results continue to look good.

EIM Participation

The CAISO filed the BANC Implementation Agreement with FERC on 3/24/17. BANC did file at FERC in support of approval of the agreement. At this point we are not aware of any filings in opposition to approval of the agreement.

The EIM Project Management support contract with Utilicast has been executed by SMUD. Utilicast was on board for a project kick-off meeting with SMUD and BANC on April 19, 2017. The formal BANC EIM project kick-off meeting with the CAISO is April 20, 2017.

BANC and SMUD have met to discuss the initial outline of scope of services for the BANC/SMUD EIM Services Agreement. BBSW is in the process of drafting a formal agreement that we expect to bring to the Commission in the summer 2017 for approval.

BANC, SMUD, and the other members continue to discuss the issue of internal bilateral trading within the BANC footprint once SMUD participates in EIM in 2019. We have outlined the scope of the problem, have held discussions with the CAISO to better understand the limitations on SMUD in EIM, and are shooting to return to the Commission in 3rd Quarter 2017 with some preliminary recommendations on how to proceed.

BANC and TANC held discussions with the CAISO regarding IBAA relief. As a result of these discussions, the CAISO confirmed the following:

- They continue to believe that IBAA needs to be continued in order for them to identify accurate pricing for congestion;
- They feel that MEEAs provide relief for entities with generation resources to obtain proper compensation in the market. We discussed the concept of a BANC MEEA. The CAISO did not believe that a BANC stand-a-lone MEEA would work, but might consider a BANC MEEA with attachments for individual member resource providers;

- They acknowledged that the current IBAA does not provide relief for transmission owners (e.g. – TANC) who are not seeing proper compensation for transmission. The CAISO was willing to consider expanding the current Pacificorp arrangement (in which Pacificorp is allowed to identify an amount of transmission capacity they are willing to set aside for market transactions on a quarterly basis and receive CRRs in return, but without having to formally become a PTO). The CAISO is willing to consider expanding this program to TANC and to allow the set aside period to be reduced from quarterly to monthly.

WAPA:

Market Engagement

We are working with WAPA on integrating them in to the EIM implementation discussions. This includes EIM Phase 2 discussions with WAPA, MID, Redding, and Roseville. Based upon these discussions, the group has developed a set of “principles” for a possible Phase 2. In addition, the group has reviewed and concurred with the proposal from GridSME for additional evaluation work for a possible Phase 2. The group held a review discussion on this proposal with GridSME on 3/23/17. The final contract for this effort will be brought to the Commission at the April meeting for approval. The goal is to have a concept by 3rd Quarter 2017 of how we would like to see Phase 2 proceed.

Peak Reliability:

Aliso Canyon Meeting

Indications are that the procedures put in place by Peak/CAISO/LADWP/SCE worked well over the summer. There was no need for natural gas curtailments or withdrawals from the limited supply in the Aliso Canyon facility. Peak has completed the winter assessment assuming limited access to storage in Aliso Canyon. Initial analyses indicate that the LA Basin should be able to withstand a worst-case 1/10-year winter from an electrical standpoint, assuming no transmission outages and support available from neighboring BAs. They are now focusing on assessments for summer 2017. Public meetings are scheduled in the near future to start the process for determining if Aliso Canyon can “restart”. Indications are that public opposition to restart of Aliso Canyon will be strong.

Peak Interest in Overseeing Congestion Management for Western Interconnection

Peak provided more clarification on this concept at the December Board meeting. The focus is on assisting the BAs and TOPs along with Peak in using the new Enhanced Curtailment Calculator (ECC) tool to better manage congestion in the Interconnection. Peak made it clear that they only intended to retain their role from a reliability perspective and **would not** perform economic re-dispatch functions. More work will be involved in defining this further.

Peak MAC and Board Meetings – March 15-16,2017

The main focus of these meetings was review and discussion on proposed Bylaws changes. These will be approved as part of the June annual meeting.

WECC

WECC will be initiating its natural gas/electricity interface study later this year. Based upon further discussions with WECC, I have been asked to participate on the executive oversight committee for this effort. The goal is to have report out in the fall of 2018.

WECC has also announced that their next Reliability Summit will be held May 2-3, 2017, in Portland, OR.

CDWR Delta Pumping Load:

BANC is coordinating with SMUD, CDWR, WAPA, and the CAISO regarding how the construction and pumping loads and ancillary services will be provided for this project. We have received informal feedback that CDWR intends to use SMUD for transmission service at the north end of the project and WAPA for the south end, with a formal decision expected in April 2017.

Strategic Initiatives:

Refer to the 2017 Strategic Initiatives update, which is attached to this report.

Balancing Authority of Northern California

Agenda Item 5A

1. Resolution 17-04-05 *Appointing Secretary of BANC*

Braun Blaising Smith Wynne, P.C.

Attorneys at Law

4/18/17

To: BANC Commission
From: BANC Counsel
RE: Appointment of Secretary

Item 5.A of the Commission's agenda requests action with respect to appointment of a new Secretary for the Commission. By way of background, Section 11.5.3 of the Second Amended Joint Exercise of Powers Agreement ("Second Amended JPA") creating BANC requires that the Commission appoint a Secretary of BANC. This is a non-delegable duty of the Commission. The charge of the Secretary is to "cause minutes of all meetings of the Commission to be kept and shall cause a copy of the minutes to be forwarded to each Commissioner and to the appropriate person as designated by each Member and Participating Agency." *Second Amended JPA, Section 11.7.*

By action of the Commission at its Special Meeting on November 5, 2009, the Commission appointed Bruce McLaughlin as BANC Secretary. However, as most of you know, Mr. McLaughlin will no longer serve as BANC Counsel after April 2017. As such, it is necessary for the Commission to appoint a successor to Mr. McLaughlin.

By resolution, it is recommended that Charles Braun be appointed to succeed Mr. McLaughlin as BANC Secretary.

**Balancing Authority of Northern California
Resolution 17-04-05**

APPOINTING SECRETARY OF BANC

WHEREAS, the Balancing Authority of Northern California ("BANC") was created by a Joint Powers Agreement ("JPA") to, among other things, acquire, construct, maintain, operate, and finance Projects; and

WHEREAS, JPA Section 11.5.3 provides that appointing the Secretary of BANC is a non-delegable duty of the Commission.

NOW THEREFORE, BE IT RESOLVED that the Commissioners of the Balancing Authority of Northern California hereby:

1. Appoint Charles Anthony Braun to serve as Secretary of BANC.

PASSED AND ADOPTED by the Commissioners of the Balancing Authority of Northern California this 26th day of April 2017, by the following vote:

		Aye	No	Abstain	Absent
Modesto ID	James McFall				
City of Redding	Paul Cummings				
City of Roseville	Michelle Bertolino				
City of Shasta Lake	Tom Miller				
SMUD	Arlen Orchard				
TPUD	Paul Hauser				

Barry Tippin
Chair

Attest by: C. Anthony Braun
Secretary

Balancing Authority of Northern California

Agenda Item 5B

- 1. 2016 Audited Financials for BANC**

**BALANCING AUTHORITY OF
NORTHERN CALIFORNIA**

Sacramento, California

COMMUNICATION TO THOSE CHARGED
WITH GOVERNANCE AND MANAGEMENT

As of and for the Year Ended December 31, 2016

BALANCING AUTHORITY OF NORTHERN CALIFORNIA

TABLE OF CONTENTS

	<u>Page No.</u>
Required Communications by the Auditor to Those Charged with Governance	1 – 3
Management Representations	

REQUIRED COMMUNICATIONS BY THE AUDITOR TO THOSE CHARGED WITH GOVERNANCE

To the Commissioners
Balancing Authority of Northern California
Sacramento, CA

Thank you for using Baker Tilly Virchow Krause, LLP as your auditor. We have completed our audit of the financial statements of the Balancing Authority of Northern California for the years ended December 31, 2016 and 2015, and have issued our report thereon dated February 17, 2017. This letter presents communications required by our professional standards.

***OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED
IN THE UNITED STATES OF AMERICA***

The objective of a financial statement audit is the expression of an opinion on the financial statements. We conducted the audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements prepared by management with your oversight are free of material misstatement, whether caused by error or fraud. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit does not relieve management or those charged with governance of their responsibilities.

As part of the audit we obtained an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. The audit was not designed to provide assurance on internal control or to identify deficiencies in internal control.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

Our responsibility does not extend beyond the audited financial statements identified in this report. We do not have any obligation to and have not performed any procedures to corroborate other information contained in client prepared documents, such as official statements related to debt issues.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you at the presentation of the 2015 audit report.

QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Balancing Authority of Northern California are described in Note 2 to the financial statements.

We noted no transactions entered into by the Balancing Authority of Northern California during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

To the Commissioners
Balancing Authority of Northern California

QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES (cont.)

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant sensitive estimates.

Financial Statement Disclosures

The disclosures in the financial statements are neutral, consistent, and clear.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing our audit.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

There were no such misstatements identified.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter. This letter follows this required communication.

To the Commissioners
Balancing Authority of Northern California

INDEPENDENCE

We are not aware of any relationships between Baker Tilly Virchow Krause, LLP and the Balancing Authority of Northern California that, in our professional judgment, may reasonably be thought to bear on our independence.

Relating to our audit of the financial statements of Balancing Authority of Northern California for the year ended December 31, 2016, Baker Tilly Virchow Krause, LLP hereby confirms that we are, in our professional judgment, independent with respect to the Balancing Authority of Northern California in accordance with the Code of Professional Conduct issued by the American Institute of Certified Public Accountants. We provided no services to the Balancing Authority of Northern California other than audit services provided in connection with the audit of the current year's financial statements.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Balancing Authority of Northern California's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance of the RSI.

RESTRICTION ON USE

This information is intended solely for the use of the Balancing Authority of Northern California and management and is not intended to be, and should not be, used by anyone other than these specified parties.

We welcome the opportunity to discuss the information included in this letter and any other matters. Thank you for allowing us to serve you.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
February 17, 2017

MANAGEMENT REPRESENTATIONS



BALANCING AUTHORITY OF NORTHERN CALIFORNIA

RELIABILITY • COLLABORATION • SUSTAINABILITY

February 17, 2017

Baker Tilly Virchow Krause, LLP
Ten Terrace Court
P.O. Box 7398
Madison, WI 53707-7398

Dear Baker Tilly Virchow Krause, LLP:

We are providing this letter in connection with your audit of the financial statements of Balancing Authority of Northern California (the Agency) as of December 31, 2016 and for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, cash flows of the Agency in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government and all component units required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

A JOINT POWERS AUTHORITY BETWEEN

Modesto Irrigation District, City of Redding, City of Roseville, Trinity Public Utilities District,
City of Shasta Lake and Sacramento Municipal Utility District

6001 S STREET, MS D109, SACRAMENTO, CA 95852-1830
WWW.THEBANC.ORG

5. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
6. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

Information Provided

8. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of Agency or summaries of actions of recent meetings for which minutes have not yet been prepared.
9. We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
10. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
11. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
12. We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
13. There are no known related parties or related party relationships and transactions of which we are aware.

Other

14. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
15. We have a process to track the status of audit findings and recommendations.

16. We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

17. There are no:

- a. Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
- b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.

18. The Agency has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

19. The Agency has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.

20. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.

21. Deposits are properly classified as to risk, and are properly valued. Collateralization agreements with financial institutions, if any, have been properly disclosed.

Sincerely,

Balancing Authority of Northern California

Signed:



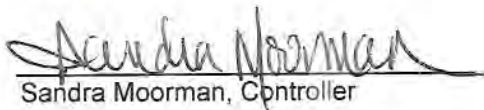
Jim Shetler, General Manager

Signed:



Noreen Roche-Carter, Treasurer

Signed:



Sandra Moorman, Controller

**BALANCING AUTHORITY OF NORTHERN CALIFORNIA
TABLE OF CONTENTS**

Report of Independent Auditors	1
Management's Discussion and Analysis (Unaudited)	3
Financial Statements	7
Notes to Financial Statements	
Note 1. Organization and Operations	10
Note 2. Summary of Significant Accounting Policies	10
Note 3. Contingencies	12

INDEPENDENT AUDITORS' REPORT

To the Commissioners
Balancing Authority of Northern California
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Balancing Authority of Northern California as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Balancing Authority of Northern California's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the test utility's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Balancing Authority of Northern California as of December 31, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Commissioners
Balancing Authority of Northern California

Other Matter

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
February 17, 2017

**BALANCING AUTHORITY OF NORTHERN CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Using this Financial Report

This annual financial report for Balancing Authority of Northern California (Agency) consists of management's discussion and analysis and the financial statements, including notes to the financial statements. The basic Financial Statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

The Agency's accounting records are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board. The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission.

Overview of the Financial Statements

The following discussion and analysis of the financial performance of the Agency provides an overview of the financial activities for the years ended December 31, 2016 and 2015. This discussion and analysis should be read in conjunction with the Agency's financial statements and accompanying notes, which follow this section.

The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses and Changes in Net Position report all of the Agency's revenues and expenses during the periods indicated.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and debt financing, and other cash uses such as payments for debt service and capital additions.

The Notes to Financial Statements provide additional detailed information to support the financial statements.

Nature of Operations

The Agency is a joint powers authority consisting of the following California publicly owned utilities: the Sacramento Municipal Utility District (SMUD), the Modesto Irrigation District, the City of Redding, the City of Roseville, the Trinity Public Utilities District, and the City of Shasta Lake (collectively, Members). The Agency performs Federal Energy Regulatory Commission approved Balancing Authority (BA) reliability functions that are managed by North American Electric Reliability Corporation (NERC), nationally, and by Western Electricity Coordinating Council (WECC) in the West. The Agency also has the ability to acquire, construct, maintain, operate and finance projects for the Agency and for the benefit of any one or more of the Members. The Agency has no employees. The Agency has a contract with an industry professional to serve as the general manager. An Agency member, SMUD, serves as the Treasurer and Controller, Compliance Officer, and BA Operator.

Operational Highlights

The Agency continues to support the Members' desire to have the balancing authority provide a strong base for maintaining their independence and ability for self-determination. In 2016, the Agency's Commission provided strategic direction for this goal with a focus on initiatives in the areas of:

- *Independence*
- *Assets*
- *Outreach*
- *Customer Services*

In the area of *Independence*, the Agency has been proactive at ensuring BA operations are maintained in full compliance with industry standards. This has been accomplished through the proactive use of the Agency's Operations Committee and Member Compliance Review Committee. The Agency, through its compliance group, has been proactive in taking a risk-based approach to evaluating operational incidents, including near miss lessons-learned. The Agency has been actively engaged in evaluating market alternatives for its Members. This included the Northwest Power Pool (NWPP) market evaluation efforts. With the termination of the NWPP effort in late 2015, the Agency formally evaluated participation in the California Independent System Operator Corporation (CAISO) Energy Imbalance Market (EIM). This evaluation resulted in a decision for the Agency to become an EIM entity and allow phased-in participation by its Members. SMUD has decided to be the first member to become a Participating Resource Provider. The Agency is currently forecasting EIM go-live for the spring of 2019.

Regarding *Assets*, the Agency has finalized the arrangement with its BA Operator, which is also a registered transmission operator, to determine relative responsibilities for funding facility assets. The Agency has started funding its fair share of these assets. The Agency also worked with the BA Operator and WECC to finalize compliance responsibilities for any joint violations that might be imposed on the Agency and the BA Operator. The Agency is also planning to develop a footprint integrated resource plan in 2017.

In the area of *Outreach*, the Agency has been reaching out to the appropriate state and federal agencies regarding its BA role. The Agency has been proactive in its engagement with WECC and the reliability coordinator, Peak Reliability (Peak). This has included involvement with such issues as data sharing and alternative funding for Peak. The Agency had a very successful 2016 WECC Audit and has also been proactive in sharing lessons-learned with other Western entities from the NERC Critical Infrastructure Protection Version 5 Pilot effort. The Agency has also been proactive in reaching out to other Publicly Owned Utilities BAs in the West, engaging in the EIM Regional Issues Forum, and in CAISO regionalization discussions.

Regarding *Customer Services*, the Agency has worked with its Members to take on the role of planning coordinator (PC) for a part of the Agency's footprint. The Agency has contracted with SMUD to provide the PC services for participating Members. The Agency is also evaluating other services it can provide to its Members.

FINANCIAL POSITION

Statements of Net Position Summary

		<u>December 31,</u>	
Assets	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current Assets	\$ <u>1,594,137</u>	\$ <u>824,227</u>	\$ <u>542,857</u>
Liabilities and Net Position			
Current Liabilities	\$ 1,594,137	\$ 824,227	\$ 542,857
Net Position:			
Unrestricted	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	\$ <u>1,594,137</u>	\$ <u>824,227</u>	\$ <u>542,857</u>

2016 Compared to 2015

ASSETS

Current Assets increased by \$770 thousand primarily due to cash contributed by Members, partially offset by cash used to pay operating expenses.

LIABILITIES

Current Liabilities increased by \$770 thousand primarily due to the increase in Advances from Members due to cash contributed by Members, partially offset by cash used to pay for operating expenses, and lower Accounts Payable.

2015 Compared to 2014

ASSETS

Current Assets increased by \$281 thousand primarily due to cash contributed by Members, partially offset by cash used to pay operating expenses.

LIABILITIES

Current Liabilities increased by \$281 thousand primarily due to the increase in Advances from Members due to cash contributed by Members, partially offset by cash used to pay for operating expenses, and lower Accounts Payable.

RESULTS OF OPERATIONS

Summary of Revenues, Expenses and Changes in Net Position

	<u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>2014</u>
Operating revenues	\$ 2,017,472	\$ 1,976,863	\$ 1,060,544
Operating expenses	<u>(2,017,472)</u>	<u>(1,976,863)</u>	<u>(1,060,544)</u>
Operating income	-0-	-0-	-0-
Change in net position	-0-	-0-	-0-
Net position – beginning of year	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net position – end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

2016 Compared to 2015

Operating Revenues increased by \$41 thousand primarily due to higher billings to Members to cover higher operating expenses.

Operating Expenses increased by \$41 thousand primarily due to higher payments for operations related to the Agency's market investigation activities.

2015 Compared to 2014

Operating Revenues increased by \$916 thousand primarily due to higher billings to Members to cover higher operating expenses.

Operating Expenses increased by \$916 thousand primarily due to higher payments for operations related to the Agency's use of SMUD's Energy Management Center and Backup Control Center.

**BALANCING AUTHORITY OF NORTHERN CALIFORNIA
STATEMENTS OF NET POSITION**

	December 31,	
	2016	2015
ASSETS		
CURRENT ASSETS		
Unrestricted cash	\$ 1,594,137	\$ 824,227
Total current assets	1,594,137	824,227
TOTAL ASSETS	\$ 1,594,137	\$ 824,227
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 73,843	\$ 94,461
Advances from Members	1,520,294	729,766
Total current liabilities	1,594,137	824,227
TOTAL LIABILITIES	1,594,137	824,227
NET POSITION		
Unrestricted	-0-	-0-
TOTAL NET POSITION	-0-	-0-
CONTINGENCIES (Note 3)		
TOTAL LIABILITIES AND NET POSITION	\$ 1,594,137	\$ 824,227

The accompanying notes are an integral part of these financial statements.

BALANCING AUTHORITY OF NORTHERN CALIFORNIA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31,	
	2016	2015
OPERATING REVENUES		
Member revenues	\$ 2,017,472	\$ 1,976,863
Total operating revenues	2,017,472	1,976,863
OPERATING EXPENSES		
Operations	166,671	385,963
Administrative and general	1,850,801	1,590,900
Total operating expenses	2,017,472	1,976,863
OPERATING INCOME	-0-	-0-
CHANGE IN NET POSITION	-0-	-0-
NET POSITION - BEGINNING OF YEAR	-0-	-0-
NET POSITION - END OF YEAR	\$ -0-	\$ -0-

The accompanying notes are an integral part of these financial statements.

**BALANCING AUTHORITY OF NORTHERN CALIFORNIA
STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Members	\$ 2,808,000	\$ 2,329,000
Payments to vendors	(2,038,090)	(2,047,630)
Net cash provided by operating activities	769,910	281,370
Net increase in cash	769,910	281,370
Cash - beginning of the year	824,227	542,857
Cash - end of the year	\$ 1,594,137	\$ 824,227
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ -0-	\$ -0-
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Accounts payable	(20,618)	(70,767)
Advances from Members	790,528	352,137
Net cash provided by operating activities	\$ 769,910	\$ 281,370

The accompanying notes are an integral part of these financial statements.

BALANCING AUTHORITY OF NORTHERN CALIFORNIA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND OPERATIONS

The Balancing Authority of Northern California (Agency) is a joint powers authority (JPA) consisting of the following California publicly owned utilities: the Sacramento Municipal Utility District (SMUD), the Modesto Irrigation District, the City of Redding, the City of Roseville, the Trinity Public Utilities District, and the City of Shasta Lake (collectively, Members). The Agency performs Federal Energy Regulatory Commission approved Balancing Authority (BA) reliability functions that are managed by North American Electric Reliability Corporation, nationally, and by Western Electricity Coordinating Council in the West. The Agency also has the ability to acquire, construct, maintain, operate and finance projects for the Agency and for the benefit of any one or more of the Members.

The Agency has no employees. The Agency has a contract with an industry professional to serve as the general manager. An Agency member, SMUD, serves as the Treasurer and Controller, Compliance Officer, and BA Operator.

The Agency's Commission is comprised of one commissioner from each Member. The Members pay its participation percentage share of the costs associated with the operation of the Agency, with a minimum cost responsibility of \$25 thousand per calendar year. The participation percentage of each Member is based on their proportional share of the annual retail load from the previous calendar year.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accounting records of the Agency are maintained in accordance with Generally Accepted Accounting Principles (GAAP) for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents. Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less.

Custodial Credit Risk. This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, the Agency's deposits may not be returned or the Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of another party. The Agency does not have a deposit policy for custodial credit risk. At December 31, 2016 and 2015, \$1.4 million and \$0.6 million of the Agency's bank balance were uninsured, respectively.

Advances from Members. Members provide cash to the Agency in advance for operations costs. These advances are recognized as operating revenue as expenses are incurred.

Net Position. The Agency classifies its net position as unrestricted.

Operating Revenues. The Agency invoices its Members for their respective participation percentage in accordance with the JPA agreement.

Operating Expenses. Operating expenses include the operations and administrative expenses of the Agency.

Subsequent Events. Subsequent events for the Agency have been evaluated through February 17, 2017, which is the date that the financial statements were available to be issued.

Recent Accounting Pronouncements. In February 2015, GASB issued SGAS No. 72, *“Fair Value Measurement and Application”* (GASB No. 72). GASB No. 72 addresses accounting and financial reporting issues related to fair value measurements. This statement requires investments to be measured at fair value. An investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (described as an exit price) in an orderly transaction between market participants at the measurement date. This statement requires valuation techniques that are appropriate in the circumstances and for which sufficient data are available to be used to measure fair value. The valuation techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. This statement establishes a hierarchy of inputs to the valuation techniques used to measure fair value. The hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs reflecting the Agency’s own assumptions developed from the best information available in the circumstances. A fair value takes into account the highest and best use for a nonfinancial asset. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, valuation techniques and changes in valuation techniques, and for nonrecurring fair value measurements, the reason(s) for the measurement. This statement is effective for the Agency in 2016. The Agency has assessed the financial statement impact of adopting the new statement, and its impact is not material.

In June 2015, GASB issued SGAS No. 76, *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”* (GASB No. 76). GASB No. 76 established the hierarchy of GAAP for state and local governments. This statement supersedes SGAS No. 55, *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.”* The GAAP hierarchy sets forth what constitutes GAAP for all state and local governmental entities. It establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. Category A is comprised of GASB statements. Category B includes GASB Technical Bulletins, GASB Implementation Guides, and literature of the AICPA cleared by the GASB. This statement is effective for the Agency in 2016. The Agency has assessed the financial statement impact of adopting the new statement, and its impact is not material.

NOTE 3. CONTINGENCIES

General Contingencies. In the normal course of operations, the Agency may be party to various claims, disputes and litigation. There are no such matters pending. Thus, there are no such actions that could have a material adverse impact on the Agency's financial position or results of operations.

Balancing Authority of Northern California

Agenda Item 5C

1. Resolution 17-04-06 *EIM Phase 2 Consultant Support and Funding Mechanism*

Braun Blaising Smith Wynne, P.C.

Attorneys at Law

4/18/17

*Privileged and Confidential
Attorney Client Privilege*

To: BANC Commission
From: BANC Counsel
RE: EIM Phase 2 Study-Related Approvals

As you recall, the Commission agreed to allow BANC to proceed with participation in the California Independent System Operator Corporation's (CAISO) Energy Imbalance Market (EIM) in a phased approach, with the Sacramento Municipal District (SMUD) as the first entity to participate within the BANC footprint. You will further recall that the studies commissioned by BANC as part of its EIM benefits examination process varied in terms of benefits from member-to-member and they further identified several factors to be considered for others besides SMUD to proceed. It was therefore decided that further studies would be performed to determine how other BANC members and/or the Western Area Power Administration – Sierra Nevada Region (WAPA-SNR) might participate in EIM, should they desire to do so. For simplicity, we are referring to the initial, SMUD-only, EIM participation as “Phase 1” and the subsequent study and process for examining further EIM participation from within the BANC footprint as “Phase 2.”

The Phase 2 participants are the Cities of Redding (Redding) and Roseville (Roseville) and the Modesto Irrigation District (MID). WAPA-SNR is also participating in the Phase 2 efforts. To gain a better understanding of the limitations on additional BANC EIM participation, BANC and the Phase 2 participants have selected Grid Subject Matter Experts (GridSME) to help BANC and the Phase 2 participants assess various EIM participation issues and options in support of a BANC EIM Phase 2 study. The GridSME Phase 2 study will be solely funded by the BANC member participants.

The Commission is being asked to approve two things. First, to approve the BANC General Manager to enter into a contract with GridSME on behalf of the Phase 2 study participants to perform a study to assess future EIM options.

Second, for the General Manager to collect the costs of the Phase 2 study from the Phase 2 participants on agreed-upon allocation percentages. These percentages are as follows:

Redding - 17%
Roseville - 27%
MID - 56%

Therefore, the General Manager is seeking the approval of the Commission of the attached resolution.

**Balancing Authority of Northern California
Resolution 17-04-06**

EIM PHASE 2 CONSULTANT SUPPORT AND BANC FUNDING MECHANISM

WHEREAS, BANC has committed to continue exploring the ability for certain of its members to participate in the CAISO Energy Imbalance Market (EIM); and

WHEREAS, the examination of the opportunity for these other BANC members is referred to as "Phase 2" of the BANC EIM process, and the BANC member participants in the Phase 2 activities are referred to as "Phase 2 Participants;" and

WHEREAS, Phase 2 Participants are the Cities of Redding (Redding) and Roseville (Roseville) and the Modesto Irrigation District (MID); and

WHEREAS, the Western Area Power Administration – Sierra Nevada Region (WAPA-SNR) is also participating in the Phase 2 efforts; and

WHEREAS, BANC and the Phase 2 Participants have selected Grid Subject Matter Experts (GridSME) to help BANC and the Phase 2 Participants assess various EIM participation issues and options in support of a BANC EIM Phase 2 study (Study); and

WHEREAS, the Study shall be solely funded by the Phase 2 Participants as follows: Redding - 17%; Roseville - 27%; MID - 56%.

NOW THEREFORE, BE IT RESOLVED that the Commissioners of the Balancing Authority of Northern California hereby:

1. Authorize the General Manager to execute a contract with GridSME to fund the Study in an amount not to exceed \$105,000; and
2. Further authorize the General Manager to collect the costs of the Phase 2 study from the Phase 2 Participants according to the percentages set forth in this Resolution.

PASSED AND ADOPTED by the Commissioners of the Balancing Authority of Northern California this 26th day of April 2017, by the following vote:

		Aye	No	Abstain	Absent
Modesto ID	James McFall				
City of Redding	Paul Cummings				
City of Roseville	Michelle Bertolino				
City of Shasta Lake	Tom Miller				
SMUD	Arlen Orchard				
TPUD	Paul Hauser				

Barry Tippin
Chair

Attest by: C. Anthony Braun
Secretary

Balancing Authority of Northern California

Agenda Item 5E

- 1. 2016-2017 Strategic Plans**

BANC 2017 Strategic Plan - Routine/Ongoing Initiatives - April 2017 Update

No./Priority	Focus Area	Initiative	Responsibility	Target Due Date	Status
1 Medium	INDEPENDENCE	Effectively oversee the BA operations.	Jim Shetler	Ongoing	See monthly Operations, Compliance, & GM Reports
2 Medium		Develop long-term succession plan for General Manager	Jim Shetler/Commission	4th Qtr. 2017	
3 Medium	OUTREACH	Engage in industry forums (WECC, Peak, NWPPA, etc.)	Jim Shetler	Ongoing	Continue attending Peak & WECC Board meetings & NWPP Exec. Forum
4 Medium		Coordinate with other POU BAs (Ca and regionally)	Jim Shetler	Ongoing	Coordinating with SCL, SRP, LADWP, & TID on EIM
5 Medium		Outreach to regulatory and legislative bodies on key issues	Jim Shetler/BBMS	Ongoing	Attended CREPC/WIRAB meeting 4/12-14/17
6 Medium	ASSETS	Identify and implement efforts to improve BANC member asset optimization & renewable integration	Resource Committee	Ongoing	RFP for consultant help on BANC IRP process in member review
7 Low	MEMBER SERVICES	Identify and outreach to potential new BANC members	Jim Shetler	Ongoing	Continue follow-on discussions with TID on EIM

BANC 2017 Strategic Plan - Focused Initiatives - April 2017 Update

No./Priority	Focus Area	Initiative	Responsibility	Target Due Date	Status
8 High	INDEPENDENCE	Manage implementation of EIM participation effort	Jim Shetler	No earlier than Spring 2019	~ Developing EIM Services Agreement. ~ Selected Utilicast for EIM PM support. ~ EIM Kick-off meeting with CAISO 4/20/17
9 Medium	OUTREACH	Evaluate opportunities to engage other entities in market development	Jim Shetler	4th Qtr. 2017	
10 Medium	ASSETS	Develop BANC footprint "IRP" focused on VERs firming & renewables.	Resource Committee	4th Qtr. 2017	RFP for consult support in member review
11 High	MEMBER SERVICES	Implement PA/PC project to be fully compliant	Jim Shetler/SMUD	Dec-17	~Registered as PC w/ WECC ~Kicked off PC discussions with participants 4/12/17