



MICHAEL N. FEUER
CITY ATTORNEY

REPORT NO. R 1 5 - 0 2 2 7
SEP 0 4 2015

REPORT RE:

DRAFT ORDINANCE APPROVING AMENDMENTS NO. 1, 2 AND 3 TO THE ARIZONA NUCLEAR POWER PROJECT HASSAYAMPA SWITCHYARD INTERCONNECTION AGREEMENT NO. DWP BP 01-013 BETWEEN MESQUITE POWER LLC AND THE CO-OWNERS OF THE ARIZONA NUCLEAR POWER PROJECT HASSAYAMPA SWITCHYARDS, INCLUDING THE LOS ANGELES DEPARTMENT OF WATER AND POWER (INTERCONNECTION AGREEMENT); AND A DELEGATION TO THE BOARD AUTHORITY TO ACT ON AND APPROVE ALL FUTURE AMENDMENTS TO THE INTERCONNECTION AGREEMENT THAT ARE MINISTERIAL AND ADMINISTRATIVE IN NATURE

The Honorable City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, California 90012

Honorable Members:

This Office has prepared and now transmits for your consideration the enclosed draft ordinance, approved as to form and legality. This draft ordinance approves: (1) Amendments No. 1, 2 and 3 (Amendments) to the Arizona Nuclear Power Project (ANPP) Hassayampa Switchyard Interconnection Agreement, DWP No. BP 01-031 (Interconnection Agreement); and (2) a delegation to the Board authority to act on and approve all future amendments to the Interconnection Agreement, provided that such amendments are ministerial and administrative in nature and do not increase the cost or extend the term of the Interconnection Agreement.

Background

The ANPP consists of the Palo Verde Nuclear Generating Station and the ANPP Switchyard, which is made up of both the ANPP High Voltage Switchyard and the adjoining ANPP Hassayampa Switchyard. The ANPP is co-owned by the following: the Los Angeles Department of Water and Power (LADWP); Arizona Public Service Company, an Arizona corporation; El Paso Electric Company, a Texas corporation; Public Service Company of New Mexico, a New Mexico corporation; Southern California Edison; Southern California Public Power Authority, a public entity organized and existing under and by virtue of the laws of the State of California; and Salt River Project Agricultural Improvement and Power District (SRP) (collectively, ANPP Switchyard Co-owners). As one of the ANPP Switchyard Co-owners, LADWP has a 3.20% ownership share of ANPP. SRP is the designated Operating Agent of the ANPP. The Interconnection Agreement and the Amendments are between the ANPP Switchyard Co-owners and Mesquite Power LLC (Mesquite Power).

The Interconnection Agreement established the terms and conditions, including the costs for the construction, operation and maintenance of the interconnection facilities needed for Mesquite Power to physically interconnect its Generating Facility to the ANPP Hassayampa Switchyard. All the necessary interconnection facilities, including the additional second 500kV generation tie-line needed to physically interconnect Mesquite Power's Generating Facility to the ANPP Hassayampa Switchyard. A summary itemizing the modifications resulting from the Amendments are as follows:

Amendment No. 1

- The installation of a second 500kV generation tie-line from Mesquite Power Generating Facility to a new connection at the ANPP Hassayampa Switchyard.
- The increase of capacity of the Mesquite Power Generating Facility by 700MW. This increase is provided by a new photovoltaic solar generating facility, owned by Mesquite Solar.
- Mesquite Power transfers a portion of its rights under the Interconnection Agreement to Mesquite Solar. Mesquite Solar will be a signatory to the Interconnection Agreement.

Amendment No. 2

- Pursuant to a separate agreement between Mesquite Power, Mesquite Solar and SRP, each party owned a joint undivided interest in the Generating Facility connected at the ANPP Hassayampa Switchyard. Amendment No. 2 allows for Mesquite Power and Mesquite Solar to transfer to SRP a portion of their rights and interests in the Interconnection Agreement equivalent to

SRP's ownership share of the Generating Facility. SRP will be a signatory to the Interconnection Agreement as an interconnector.

Amendment No. 3

- Pursuant to a separate agreement between Mesquite Solar, Mesquite Power, SRP and SEP II, a California limited liability company (SEP II), SEP II and Mesquite Solar will each own a joint undivided interest in Mesquite Solar's interest of the Generating Facility. Amendment No. 3 allows SEP II to join as an interconnector to the Interconnection Agreement for a portion of its rights and interests under the Interconnection Agreement (equivalent to its ownership share of the Generating Facility). SEP II will become a signatory to the Interconnection Agreement.

The Interconnection Agreement, along with the Amendments, shall terminate upon the first of the following events to occur: (1) termination of the ANPP; (2) written agreement of all parties to terminate the Interconnection Agreement; (3) termination of the Interconnection Agreement pursuant to Article 22 (Default) of the Interconnection Agreement; or (4) upon no less than 90 calendar days advance written notice of termination from Interconnector to the Operating Agent.

CEQA Findings

In accordance with the California Environmental Quality Act (CEQA), it has been determined that the Amendments to this Interconnection Agreement, which establishes the costs, terms and conditions for the Mesquite Power to physically interconnect its Generating Facility to the ANPP Hassayampa Switchyard at Palo Verde, is exempt pursuant to the General Exemption described in CEQA Section 15061(b)(3). General Exemptions apply in situations where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

Summary of Ordinance Provisions

Charter Sections 674(a)(1) provides that, subject to the City Council's approval by ordinance, the Board of Water and Power Commissioners has the power to approve contracts with the United States, or any of its agencies, any state or any state agency, and any corporation, public or private, located inside or outside of the City or State of California for the construction, ownership, operation and maintenance of facilities for the generation, transformation and transmission of electric energy that provides for a sharing of benefits and of the capital charges and other obligations associated with those facilities.

Council Rule 38 Referral

This draft ordinance has been presented to the Board of Water and Power Commissioners pursuant to Council Rule 38.

If you have any questions regarding this matter, please contact Deputy City Attorney Syndi Driscoll at (213) 367-4363. She or another member of this Office will be present when you consider this matter to answer any questions you may have.

Very truly yours,

MICHAEL N. FEUER, City Attorney

By 

DAVID MICHAELSON
Chief Assistant City Attorney

DM:SD:me
Transmittal