



ANTONIO R. VILLARAIGOSA
Mayor

Commission
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BARBARA E. MOSCHOS, *Secretary*

RONALD O. NICHOLS
General Manager

January 30, 2013

The Honorable City Council
City of Los Angeles
Room 395, City Hall
Los Angeles, California 90012

Honorable Members:

Subject: Authorizes Payments for Los Angeles Department of Water and Power's Administrative and Maintenance Budget for the Mohave Generating Station

Pursuant to Charter Sections 262 and 370, enclosed for approval by your Honorable Body is Resolution No. 013 171, adopted by the Board of Water and Power Commissioners on January 25, 2013, approved as to form and legality by the City Attorney, which authorizes payments up to \$136,100 for Los Angeles Department of Water and Power's Administrative and Maintenance Budget for the Mohave Generating Station – Fiscal Year 2013. As directed by the Board, transmitted to you are supporting documents.

If there are any questions regarding this item, please contact Ms. Winifred Yancy, Manager of Intergovernmental Affairs and Community Relations, at (213) 367-0025.

Sincerely,

Barbara E. Moschos
Board Secretary

BEM:oja

Enclosures: LADWP Resolution
Board Letter
CAO Report
Ordinance

Water and Power Conservation ...a way of life

111 North Hope Street, Los Angeles, California 90012-2607 Mailing address: Box 51111, Los Angeles 90051-5700
Telephone: (213) 367-4211 Cable address: DEWAPOLA



c/enc: Mayor Antonio Villaraigosa
Councilmember Jose Huizar, Chair, Energy and the Environment Committee
Gerry F. Miller, Chief Legislative Analyst
Miguel A. Santana, City Administrative Officer
Rafael Prieto, Legislative Analyst, CLA
William R. Koenig, Chief Administrative Analyst
Winifred Yancy

WHEREAS, Nevada Power Company (NPC), Salt River Project Agricultural Improvement and Power District (SRP), and Southern California Edison Company (SCE) entered into the Mohave Project Plant Site Conveyance and Co-Tenancy Agreement (Mohave Co-Tenancy Agreement) on May 29, 1967, for the ownership, construction, operation and maintenance of the Mohave Project which consists of real property and related appurtenances, two steam-electric generating units with a nameplate rating of 755 MW each, and all project agreements related thereto; and

WHEREAS, the Los Angeles Department of Water and Power (LADWP) executed the Plant Site Conveyance 2 and the Mohave Project Plant Site Conveyance and Co-Tenancy Agreement Assignment, LADWP Agreement No. 10211, with SCE on December 23, 1968, whereby, LADWP formerly acquired an undivided 20-percent interest in and to the Mohave Project on December 23, 1968; and

WHEREAS, LADWP retains a 10-percent interest in the Mohave Plant Site and Mohave Project; and

WHEREAS, the Mohave Co-Tenancy Agreement expired by operation of its term on July 1, 2006, and

WHEREAS, each co-owner has residual environmental and payment obligations as tenants-in-common for the Mohave Plant Site and the post-decommissioning maintenance of the generating station; and

WHEREAS, an Expense Budget has been established for the Mohave Station for the calendar year of 2013 which includes post-decommissioning maintenance costs, and LADWP's proportionate share is \$86,100; and

WHEREAS, LADWP allocated \$50,000 for any emergent work to cover incidental expenses such as accounting adjustments for severance or post-retirement benefits of former Mohave Station employees, environmental remediations of the plant site, studies for reuse of the plant site, among others.

NOW, THEREFORE, BE IT RESOLVED that the Board of Water and Power Commissioners hereby approves payments up to \$136,100 for LADWP's Expense Budget for the Mohave Project for Fiscal Year 2013 and any emergent work, on file with the Secretary of the Board.

171 810

BE IT FURTHER RESOLVED that the Chief Accounting Employee is authorized and directed, upon proper certification, to draw demands on the Power Revenue Fund up to \$136,100 for payment of LADWP's proportionate share of the Mohave Expense Budget for Fiscal Year 2013 and any emergent work, consistent with this Resolution and on file with the Secretary of the Board.


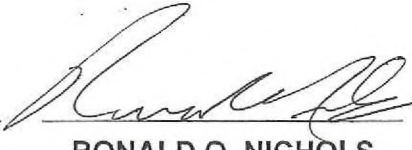
I HEREBY CERTIFY that the foregoing is a full, true, and correct copy of a resolution adopted by the Board of Water and Power Commissioners of the City of Los Angeles at its meeting held JAN 25 2013

Bauwau E. Moschos
Secretary

APPROVED AS TO FORM AND LEGALITY
CARMEN A. TRUTANICH, CITY ATTORNEY

OCT 05 2012
BY Shanise Black
SHANISE BLACK
DEPUTY CITY ATTORNEY

LOS ANGELES DEPARTMENT OF WATER AND POWER (LADWP) BOARD APPROVAL LETTER

TO: BOARD OF WATER AND POWER COMMISSIONERS		DATE: January 18, 2013
 ARAM BENYAMIN Senior Assistant General Manager – Power System		SUBJECT: Mohave Generating Station 2013 Administrative and Maintenance Budget
 RONALD O. NICHOLS General Manager		
		FOR COMMISSION OFFICE USE: RESOLUTION NO. _____
CITY COUNCIL APPROVAL REQUIRED: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	IF YES, BY WHICH CITY CHARTER SECTION: 262 & 370	

PURPOSE

Transmitted for approval by your Honorable Board is a Resolution, approved as to form and legality by the City Attorney, recommending to the Los Angeles City Council approval to authorize the Los Angeles Department of Water and Power (LADWP), as a co-owner of the now decommissioned Mohave Generating Station (Mohave Station), to make payments for administrative expenses, labor, employee severance costs, and maintenance expenses associated with the plant site of the former Mohave Station for the year 2013.

COST AND DURATION

LADWP requests a total budget of \$136,100 which includes \$86,100 required for LADWP to make its payments toward the administrative and maintenance expenses of Mohave Station in 2013 as detailed in Attachment A and an additional \$50,000 allocated for emergent work that may arise.

Now with the station decommissioning virtually completed, the requested budget represents only ten percent of the 2012 budget. LADWP will continue to seek similar budgets in the coming years for the upkeep and maintenance of the plant site until a redevelopment plan is created.

BACKGROUND

The Mohave Station was a two-unit, coal-fired power plant having a total nameplate rating of 1,510 megawatts. The station is owned by four utilities:

Southern California Edison Company (SCE)	56.0 percent
Salt River Project (SRP)	20.0 percent
Nevada Power Company (NPC)	14.0 percent
LADWP	10.0 percent

The Operating Agent is SCE, headquartered in Rosemead, California.

The Mohave Station is located in Laughlin, Nevada. Both units entered commercial operation in 1971. The Mohave Station was removed from service in December 2005 due to noncompliance with a Consent Decree that required the installation of emission control equipment. The Mohave Station has been in permanent shutdown status since October 2007.

Decommissioning activities began in July 2009 and are now considered to be in the final stage with the power plant demolished, most of the buildings and structures removed, all the ponds capped, and all the large underground pipelines filled. The intent is to return the former plant site to brownfield conditions. The decommissioning is scheduled to be completed by the end of 2012. Once the decommissioning is completed, the plant site will be maintained at a safe, secure and environmentally compliant condition until a redevelopment plan or other option is formulated.

Post-decommissioning maintenance activities would include weekly inspections of the waste holding tank and the perimeter fencing for any signs of breach and/or damage, security monitoring, and routine activities such as road and fence repairs, Ash Canyon dam and retention basin maintenance for possible erosion or damage, landfill maintenance, bush and fire hazard clearing, monitoring wells maintenance and measurements for possible contamination of underground water, among others. The Operating Agent would also incur labor and overhead costs to oversee all these activities. In addition, there are legal expenses associated with two litigation cases still pending including one covering the property taxes, and the other about the sales tax applied to the coal burned in the past.

LADWP seeks authority to pay its portion of costs and expenses outlined within the 12-month budget for Mohave Station covering the period January 1, 2013 through December 31, 2013. The 2013 expense budget is \$86,100, composed of the following expenses and costs:

- o SCE Labor (\$141,000)
- o Material, Contract Labor, Legal and Others (\$409,000)
- o Payroll Taxes, Benefits, Results Sharing, Administrative and General Costs (A&Gs) (\$149,000)
- o 2013 Property Taxes (\$162,000)

LADWP's portion for this expense budget is \$86,100. In addition, LADWP plans to set aside an emergent work fund amounting to \$50,000 to cover unspecified expenses related to accounting adjustments for severance costs and post retirement benefits, environmental remediation of the landfill areas and groundwater, studies for reuse or redevelopment of the plant site. Though an emergent work fund was previously approved per Resolution No. 012-117, such funds were not used in 2012 and have now been rendered unavailable for use in 2013, thus, prompting the need to request for a separate emergent work fund for any potential expenditures incurred during the 2013 budget period.

Board of Water and Power Commissioners
Page 3
January 18, 2013

The total 2013 budget that LADWP seeks for Mohave Station is \$136,100.

Los Angeles City Council Approval

Per Charter Sections 262 and 370, Los Angeles City Council approval is required.
The City Administrative Officer report, dated December 19, 2012, is attached.

ENVIRONMENTAL DETERMINATION

The California Environmental Quality Act (CEQA) does not apply to any project located outside of California which will be subject to environmental impact review pursuant to the National Environmental Policy Act of 1969 or pursuant to a law of that state requiring preparation of a document containing essentially the same points of analysis as in an Environmental Impact Statement prepared under the National Environmental Policy Act of 1969. Any emissions or discharges that would have a significant effect on the environment in the State of California are subject to CEQA where a California public agency has authority over the emissions or discharges.

RECOMMENDATION

It is recommended that your Honorable Board adopt the attached Resolution recommending the Los Angeles City Council's approval in granting LADWP authority to pay its portion of the Mohave Station's 2013 Administrative and Expense Budgets.

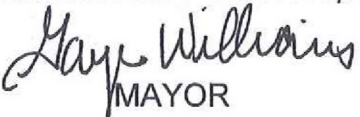
AV/LHN:ph
Attachments

e-c/att: Ronald O. Nichols
Richard M. Brown
Aram Benyamin
James B. McDaniel
Philip Leiber
Gary Wong
Eric J. Tharp
Andrea Villarin

POWER SYSTEM

JAN 09 2013

EXECUTIVE OFFICE

0220-04643-0002	
TRANSMITTAL	
TO Ronald O. Nichols, General Manager Department of Water and Power	DATE JAN 09 2013
FROM The Mayor	COUNCIL FILE NO.
COUNCIL DISTRICT	
PROPOSED RESOLUTION AUTHORIZING MOHAVE GENERATING STATION 2013 BUDGET FOR DECOMMISSIONING EXPENSES	
<p>Approved and transmitted for further processing including Council consideration. See the City Administrative Officer report attached.</p> <p style="text-align: center;"> MAYOR</p>	
MAS:RPR:10130060t CAO 649-d	

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: December 19, 2012

CAO File No.: 0220-04643-0002

Council File No.:

Council District: NA

To: The Mayor

From: Miguel A. Santana, City Administrative Officer



Reference: Communication from the Department of Water and Power dated October 9, 2012; referred by the Mayor for report on October 18, 2012

Subject: **RESOLUTION AUTHORIZING MOHAVE GENERATING STATION 2013 BUDGET FOR DECOMMISSIONING EXPENSES**

SUMMARY

The Department of Water and Power (DWP; Department) requests approval of a proposed resolution authorizing an Ordinance for the Department, as a co-owner of the decommissioned Mohave Generating Station (Mohave Station), to pay its portion of expenses for the budget period January 1, 2013 through December 31, 2013, with a not to exceed amount of \$136,100. The Mohave Station is a 1,510 Megawatt coal-fired power plant that is co-owned by four utilities consisting of Southern California Edison Company (SCE) – 56 percent, Salt River Project – 20 percent, Nevada Power Company – 14 percent, and DWP – 10 percent.

Approval of this request will allow for payments to be made without an existing contract between the co-owners of the Mojave Station. Consequently, City Council approval of this request, by ordinance, is required pursuant to Charter Section 262 and 370. The City Attorney has approved the proposed resolution as to form and legality. As DWP is a partial (10 percent) owner of the decommissioned power plant site, the Department is responsible for paying its portion of the current and future expenses of the site. A budget request that is similar to this proposal will be submitted annually for consideration until all co-owners approve the future use of this site and a formal contract is executed.

The Mohave Station, located in Laughlin, Nevada, entered commercial operation in 1971. Due to noncompliance with a Consent Decree that required the installation of emission control equipment, the Mohave Station was removed from service in December 2005. As of October 2007, the Mohave Station was in permanent shutdown status. Subsequently, the Department advises that many options were considered by the co-owners, including converting the station to a gas-fired generating station, selling it to interested parties, decommissioning the station, and redeveloping the site as a solar plant or a hybrid solar/gas-fired power generating plant. Following several failed attempts to sell the power plant, the co-owners agreed to decommission the Mohave Station. Each co-owner is obligated to pay its proportional share of the expenses associated with the decommissioning of the Mohave Station. Decommissioning activities began in 2009 and were completed in 2012. Until a redevelopment plan or other option approved, the plant site is to be maintained at a safe, secure,

and environmentally compliant condition.

The total 2013 budget for general, administrative, and legal expenses at the Mohave Station is \$861,000 with DWP's share totaling \$86,100. The total amount requested by the Department includes an additional \$50,000 for an Emergent Work Fund that could be used for incidental expenses related to accounting adjustments for severance costs and post-retirement benefits, environmental remediation of the landfill areas and groundwater, or studies for plant site redevelopment. DWP states that an emergent work fund was previously approved per Resolution No. 012-117; although, funds were not expended in 2012 and are now unavailable for use in the 2013 budget period. As a result, the Department is again requesting a \$50,000 emergent work fund for any incidental expenses incurred in 2013.

The significant assets of the Eldorado Transmission System that extend through the Mohave Station will be preserved and retained under the same ownership arrangement. This transmission system and switchyard, which remains partially owned by DWP, can be used in the future to transmit renewable power such as solar or wind energy.

Upon review of the attached DWP request, it is the opinion of this Office that the item can be approved as the requested action appears to be reasonable and in accordance with City policies and procedures.

RECOMMENDATION

That the Mayor:

Approve the proposed resolution authorizing an Ordinance for the Department of Water and Power, as a co-owner, to expend \$136,100, towards the costs incurred in 2013 for decommissioning the Mohave Generating Station and to establish an Emergent Work Fund for incidental expenses incurred in 2013, and return the request to the Department for further processing, including Council consideration.

FISCAL IMPACT STATEMENT

Approval of the proposed resolution will result in a total not to exceed expenditure of \$136,100 from the Power Revenue Fund. The proposed Agreement complies with the Department's adopted Financial Policies. Approval of the proposed resolution will have no impact on the City's General Fund.

TIME LIMIT FOR COUNCIL ACTION

The City Attorney advises that there is no time limitation for items approved by ordinance.

MAS:RPR:10130060

ORDINANCE NO. _____

An ordinance approving the Los Angeles Department of Water and Power's allocation and expenditure of \$136,100 for costs, expenses and any emergent work identified within the Mohave Project Budget for 2013, on file with the Secretary of the Board of Water and Power Commissioners.

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1. Notwithstanding Charter Section 370, the Board of Water and Power Commissioners authorized the allocation and expenditure of \$136,100 by the Los Angeles Department of Water and Power for costs, expenses and any emergent work related to the Mohave Project for calendar year 2013, by resolution, in accordance with its authority under Charter Sections 602 and 603(b), on file with the Secretary of the Board of Water and Power Commissioners.

Section 2. The Chief Accounting Employee of the Los Angeles Department of Water and Power, upon proper certification by the General Manager, and the Controller of the City of Los Angeles are hereby authorized to approve all demands and lawfully make payments up to \$136,100 for costs, expenses and emergent work identified within the Mohave Fiscal Year Budget for 2013, on file with the Secretary of the Board of Water and Power Commissioners.

Section 3. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of _____.

JUNE A. LAGMAY, City Clerk

By _____ Deputy

Approved _____

Mayor

Approved as to Form and Legality

CARMEN A. TRUTANICH, City Attorney

APPROVED AS TO FORM AND LEGALITY
CARMEN A. TRUTANICH, CITY ATTORNEY

By _____
SHANISE BLACK
Deputy City Attorney

OCT 05 2012
BY _____
SHANISE BLACK
DEPUTY CITY ATTORNEY

Date _____

File No. _____