

MIKE FEUER  
CITY ATTORNEY

REPORT NO. R 1 3 - 0 2 0 0

REPORT RE:

JUL 16 2013

**DRAFT ORDINANCE AUTHORIZING THE APPROVAL OF  
AMENDMENT 16 TO THE ARIZONA NUCLEAR POWER PROJECT PARTICIPATION  
AGREEMENT AMONG ARIZONA PUBLIC SERVICE COMPANY, SALT RIVER  
PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, SOUTHERN  
CALIFORNIA PUBLIC POWER AUTHORITY AND THE CITY OF LOS ANGELES,  
ACTING BY AND THROUGH THE DEPARTMENT OF WATER AND POWER, TO  
EXTEND THE TERM OF THE PARTICIPATION AGREEMENT**

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 authorizes the approval of Amendment 16 to the Arizona Nuclear Power Project Participation Agreement (Agreement). This Participation Agreement is between the Los Angeles Department of Water and Power (LADWP) and the other co-owners of the Palo Verde Nuclear Generating Station (PVNGS). The PVNGS has three units and is jointly owned by the Arizona Public Service Company, Salt River Project Agricultural Improvement and Power District, Southern California Public Power Authority and LADWP (Co-Owners). Currently, this Participation Agreement is due to expire on December 31, 2027. In April of 2011, the Nuclear Regulatory Commission (NRC) granted PVNGS an operation license extension to allow the station to continue operating until November 25, 2047. Amendment 16 will extend the term of the Participation Agreement to November 25, 2047, so that the term of the Participation Agreement matches the term of the last operating license at PVNGS. Amendment 16 will allow LADWP to continue participating

in the operations of PVNGS until the expiration of the last operating license (November 25, 2047) or until the date on which all three units are completely removed from service, whichever comes first.

The extension of the Participation Agreement does not require any upfront payment, but will affect the Co-Owners' contributions towards their decommissioning trust funds, known as the Termination Fund. At present, funding to the Termination Fund is spread over the current 40-year license term, requiring higher annual contributions than if funding is to be applied over the extended term of 60 years. The extension would result in a reduction in the Co-Owners' annual obligations.

### CEQA Findings

In accordance with the California Environmental Quality Act (CEQA), it has been determined amending this Participation Agreement is exempt pursuant to the General Exemptions 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.

### Background

Transmitted with this ordinance is a report to the Board of Water and Power Commissioners, which provides a detailed summary of the background on this matter.

### Summary of Ordinance Provisions

Charter Section 647(a)(1) provides that the City Council has the power to approve contracts for the construction, ownership, operation and maintenance of facilities for the generation, transformation and transmission of electric energy.

### Recommendation


Amendment 16 to this Participation Agreement has been analyzed by the Office of the City Administrative Officer (CAO), and its findings and recommendations have been submitted under a separate report (CAO No. 0150-06855-0004). The Board of Water and Power Commissioners approved Amendment 16 on June 19, 2013, under Resolution No. 013311. A copy of the CAO report and the Board resolution is being provided for your information.

Based upon the foregoing, it is requested that the City Council adopt the draft ordinance provided for your consideration.

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   
PEDRO B. ECHEVERRIA  
Chief Assistant City Attorney

PBE:SD:me  
Transmittal

**ORDINANCE NO. \_\_\_\_\_**

An ordinance approving Amendment Number 16 to the Arizona Nuclear Power Project Participation Agreement among Arizona Public Service Company, Salt River Project Agricultural Improvement and Power District, Southern California Edison, Public Service Company of New Mexico, El Paso Electric Company, Southern California Public Power Authority, and the City of Los Angeles, acting by and through the Department of Water and Power.

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

Section 1. The Arizona Nuclear Power Project Participation Agreement Amendment No. 16, approved by the Board of Water and Power Commissioners, Resolution No. 013311 that is on file with the City Clerk, is hereby approved.

Sec. 2. Pursuant to Los Angeles City Charter Sections 373 and 674, the Board of Water and Power Commissioners is authorized to enter into this Arizona Nuclear Power Project Participation Agreement Amendment No.16, which extends the term of this agreement from December 31, 2027, until the expiration date of the last operating license (November 25, 2047) or until the date on which all three units shall have been completely removed from service, whichever comes first.

Sec. 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 of Hall Records.

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

JUNE LAGMAY, City Clerk

By \_\_\_\_\_  
Deputy

Approved \_\_\_\_\_

\_\_\_\_\_  
Mayor

Approved as to Form and Legality



MICHAEL N. FEUER, City Attorney

By Syndi Driscoll (VBC)  
SYNDI DRISCOLL  
Deputy City Attorney

Date July 18, 2013

File No. \_\_\_\_\_

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

<b>TO: BOARD OF WATER AND POWER COMMISSIONERS</b>		<b>DATE: June 6, 2013</b>
 <b>ARAM BENYAMIN</b> Senior Assistant General Manager – Power System		<b>SUBJECT:</b>  Amendment Number 16 to the Palo Verde Nuclear Generating Station Arizona Nuclear Power Project Participation Agreement
 <b>RONALD O. NICHOLS</b> General Manager		
_____ _____		<b>FOR COMMISSION OFFICE USE:</b>  RESOLUTION NO. _____
<b>CITY COUNCIL APPROVAL REQUIRED:</b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<b>IF YES, BY WHICH CITY CHARTER SECTION: 373 &amp; 674</b>	

**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 of Amendment Number 16 to the Arizona Nuclear Power Project Participation Agreement among LADWP and the other co-owners of the Palo Verde Nuclear Generating Station(PVNGS) to allow the Participation Agreement to be effective until the expiration date of the longest operating license granted to the station by the Nuclear Regulatory Commission (NRC). The current termination date of the Participation Agreement is December 31, 2027. Palo Verde was granted an operating license extension in April 2011 by NRC allowing the station to operate until November 25, 2047.

**COST AND DURATION**

As shown in Attachment A, Amendment Number 16 to the existing Participation Agreement extends the term until the expiration date of the last operating license or until the date on which all three units shall have been completely removed from service, whichever comes first.

The extension of the Participation Agreement does not require any payment upfront but it affects the participants' contributions towards their decommissioning trust funds, also known as the Termination Fund. At present, funding to the Termination Fund is spread over the current 40-year license term, requiring higher annual contributions than if funding was applied throughout the extended term of 60 years. The extension would therefore result in a reduction in the participants' annual obligations.

## BACKGROUND

PVNGS is a three-unit nuclear generating station located in Tonopah, Arizona about 60 miles west of the City of Phoenix. The station has a combined capacity of over 4,000 megawatts. It is owned by seven utilities:

Arizona Public Service Company (APS)	29.1 percent
Salt River Project (SRP)	17.49 percent
Southern California Edison (SCE)	15.8 percent
El Paso Electric Company (EPE)	15.8 percent
Public Service Company of New Mexico (PNM)	10.2 percent
Southern California Public Power Authority (SCPPA)	5.91 percent
Los Angeles Department of Water and Power (LADWP)	5.7 percent

The Operating Agent of the station is APS. The co-owners of the station are parties to the Arizona Nuclear Power Project Participation Agreement which was originally executed on August 23, 1973, was last amended on January 13, 2011, and is set to expire on December 31, 2027.

The station was initially granted by NRC a 40-year operating license per unit with the last license expiring on November 25, 2027. In April 2011, NRC granted an extension of the operating licenses by another 20 years allowing the station to operate until November 25, 2047. The extension prompts the need to amend the Participation Agreement to reflect the extended operation period.

The Participation Agreement also currently requires each participant to accumulate Termination Funds over the remaining license term to pay for the decommissioning costs after the station retires from service. Annual contributions to the Termination Funds were initially spread over a period of 40 years, but will now be adjusted and spread over a period of 60 years.

### Los Angeles City Council

Per Charter Section Nos. 373 and 674, Los Angeles City Council (City Council) approval is required. Accordingly, attached is the City Administrative Officer report dated March 11, 2013.

## ENVIRONMENTAL DETERMINATION

In accordance with the California Environmental Quality Act (CEQA), it has been determined that amending this agreement is exempt pursuant to the General Exemption described in CEQA Section 15061 (b)(3). General Exemptions apply in situations where it can be seen

Board of Water and Power Commissioners

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June 6, 2013

with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

**RECOMMENDATION**

It is requested that your Honorable Board adopt the attached Resolution recommending the Los Angeles City Council to approve Amendment Number 16 to the Arizona Nuclear Power Project Participation Agreement.

AV/LHN:ph/ps

Attachments

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





Resolution No. \_\_\_\_\_

WHEREAS, Arizona Public Service Company (APS), Salt River Project Agricultural Improvement and Power District (SRP), Southern California Edison Company (SCE), El Paso Electric Company (EPE), Public Service Company of New Mexico (PNM), Southern California Public Power Authority (SCPPA), and Los Angeles Department of Water and Power (LADWP) entered into the Arizona Nuclear Power Project Participation Agreement (Participation Agreement) on August 23, 1973, for the ownership, construction, operation and maintenance of the Palo Verde Nuclear Generating Station which consists of real property and related appurtenances, three nuclear generating units with a combined nameplate rating amounting to approximately 4,000 MW, and all project agreements related thereto; and

WHEREAS, LADWP maintains a 5.7 percent interest in the Palo Verde Nuclear Generating Station; and

WHEREAS, LADWP executed a Power Purchase Agreement with SCPPA on July 1, 1981, whereby, LADWP was granted a 66 percent of SCPPA's generation allocation, thus bringing its total share to 9.66 percent of the Palo Verde generation output; and

WHEREAS, the Participation Agreement was last amended on January 13, 2011 and is set to expire on December 31, 2027 in conjunction with the expiration of the last operating license; and

WHEREAS, Palo Verde's operating licenses for three units were extended for another 20 years by the Nuclear Regulatory Commission (NRC) in April 2011, allowing the station to operate until at least November 25, 2047; and

WHEREAS, the Participation Agreement is now amended to be effective until the expiration date of the last operating license or until the date that all three units were completely removed from service, whichever comes first; and

WHEREAS, the Participation Agreement requires each Palo Verde participant to make annual contributions to their respective Termination Funds over the operating life of the station which is now changed from the original 40- year license period to the current 60- year license period; and

WHEREAS, the Board of Water and Power Commissioners (Board) hereby approve Amendment Number 16 to the Participation Agreement which authorizes a 20-year extension that would be consistent with the longest term of the station's operating licenses and adjusts the funding curve for the Termination Fund accordingly.

NOW, THEREFORE, BE IT RESOLVED that Amendment Number 16 to the Participation Agreement, now on file with the Secretary of the Board and approved as to form and legality by the City Attorney, be and the same are hereby approved.

BE IT FURTHER RESOLVED that the Board requests that the Los Angeles City Council approve, by ordinance, the Palo Verde Nuclear Generating Station Arizona Nuclear Power Project Participation Agreement Number 16.

BE IT FURTHER RESOLVED that the President or Vice President of this Board, or the General Manager, or such person as the General Manager shall designate in writing, and the Secretary, Assistant Secretary, or the Acting Secretary of the Board be and they are hereby authorized and directed to execute said Agreement for and on behalf of the LADWP upon approval by the City Council by ordinance pursuant to Sections 373 and 674 of the Charter of the City of Los Angeles.


BE IT FURTHER RESOLVED that the Chief Accounting Employee of the LADWP, upon proper certification, is authorized and directed to draw demands of the Power Revenue Fund, in payment of the obligations arising under said agreement.

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 on

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Secretary

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

JUN 06 2013  
BY   
SYNDI DRISCOLL  
DEPUTY CITY ATTORNEY

AMENDMENT NUMBER 16  
TO THE ARIZONA NUCLEAR POWER PROJECT  
PARTICIPATION AGREEMENT

1. **PARTIES:**

The Parties to this Amendment Number 16 to the Arizona Nuclear Power Project Participation Agreement, hereinafter referred to as "Amendment Number 16," are: ARIZONA PUBLIC SERVICE COMPANY, a corporation organized and existing under and by virtue of the laws of the State of Arizona, hereinafter referred to as "Arizona"; SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, an agricultural improvement district organized and existing under and by virtue of the laws of the State of Arizona, hereinafter referred to as "Salt River Project"; SOUTHERN CALIFORNIA EDISON COMPANY, a corporation organized and existing under and by virtue of the laws of the State of California, hereinafter referred to as "Edison"; PUBLIC SERVICE COMPANY OF NEW MEXICO, a corporation organized and existing under and by virtue of the laws of the State of New Mexico, hereinafter referred to as "PNM"; EL PASO ELECTRIC COMPANY, a corporation organized and existing under and by virtue of the laws of the State of Texas, hereinafter referred to as "El Paso"; SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY, a joint powers agency organized and existing under and by virtue of the laws of the State of California, doing business in the State of Arizona as SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY ASSOCIATION, hereinafter referred to as "SCPPA"; and DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES, a municipal corporation organized and existing under and by virtue of the laws of the State of California, hereinafter referred to as "LADWP"; all hereinafter individually referred to as "Party" and collectively as "Parties."

2. **RECITALS:**

- 2.1. Arizona, Salt River Project, Edison, PNM, El Paso, SCPPA and LADWP are parties to a certain agreement entitled Arizona Nuclear Power Project Participation Agreement, dated as of August 23, 1973, as amended by: Amendment Number 1, dated as of January 1, 1974; Amendment Number 2, dated as of August 28, 1975; Amendment Number 3, dated as of July 22, 1976; Amendment Number 4, dated as of December 15, 1977; Amendment Number 5, dated as of December 5, 1979; Amendment Number 6, effective as of October 16, 1981; Amendment Number 7, effective as of April 1, 1982; Amendment Number 8, executed as of September 12, 1983; Amendment Number 9, executed as of June 12, 1984; Amendment Number 10, executed as of November 21, 1985; Amendment Number 11, effective January 10, 1987; Amendment Number 12, effective August 5, 1988; Amendment Number 13, effective June 15, 1991; Amendment Number 14, effective June 20, 2000, retroactive to January 1, 1993; and Amendment Number 15, effective January 13, 2011, hereinafter, as so amended, collectively referred to as the "Participation Agreement."
- 2.2. On April 21, 2011, the NRC, by letter to Arizona, confirmed the issuance of Renewed Facility Operating License Nos. NPF-41 (Unit 1), NPF-51 (Unit 2), and NPF-74 (Unit 3) for Palo Verde Station (collectively, the "License Extensions").
- 2.3. Pursuant to the License Extensions, (i) Renewed Facility Operating License No. NPF-41 (Unit 1) expires at midnight on June 1, 2045; (ii) Renewed Facility Operating License No. NPF-51 (Unit 2) expires at midnight on April 24, 2046; and (iii) Renewed Facility Operating License No. NPF-74 (Unit 3) expires at midnight on November 25, 2047.

(collectively, the "Extended License"). The latest expiration date of the original licenses previously had been November 25, 2027.

- 2.4. Pursuant to Section 35.7 of the Participation Agreement, the latest termination date of the Participation Agreement currently is December 31, 2027, which does not include the License Extensions.
- 2.5. Section 8A.4.4 of the Participation Agreement currently requires each Participant to accumulate Termination Funds over "the remaining license term (as specified in the original license issued for each Generating Unit . . . ." (emphasis added)
- 2.6. Arizona, PNM and El Paso (in Texas, not New Mexico) have already included in their cost of service the amounts for contributions to their decommissioning trust that reflect the Extended License ("60 Year Termination Funding Curves"), rather than the Original License ("40 Year Termination Funding Curves"), and collect from their respective ratepayers on that basis.
- 2.7. The Termination Funding Committee currently uses the 40 Year Termination Funding Curves to measure compliance of the Participants with the termination funding requirements set forth in the Participation Agreement and the Termination Funding Committee Manual. Therefore, the ability of Arizona, PNM and El Paso to meet their termination funding obligations is adversely impacted by the reduced recovery from their ratepayers under the 60 Year Termination Funding Curves, and their continuing obligation to maintain their Termination Funds at the higher levels required by the 40 Year Termination Funding Curves.
- 2.8. On June 18, 2012, the Termination Funding Committee held its annual meeting to submit its Annual Funding Status Reports and to resolve the foregoing termination funding curve issues. At the meeting, the Termination Funding Committee resolved, upon proper motion, that the 60 Year Termination Funding Curves were technically correct, and conditionally adopted the 60 Year Termination Funding Curves subject to the Administrative Committee's extension of the Participation Agreement term.
- 2.9. On October 19, 2012, the Administrative Committee unanimously voted to adopt the form of this Amendment Number 16.

3. **AGREEMENT:**

For and in consideration of the premises and the mutual obligations of and undertakings by the Parties as hereinafter provided in this Amendment Number 16 to the Participation Agreement, the Parties agree as set forth below.

4. **EFFECTIVE DATE:**

This Amendment Number 16 shall become effective on the date that the Party which last in time executes this Amendment Number 16. The amended termination funding curves that are associated with this Amendment Number 16 shall be applied retroactively to January 1, 2012.

5. **DEFINED TERMS:**

- 5.1. The Capitalized and italicized words and phrases used in this Amendment Number 16 shall have the meanings ascribed to them in the Participation Agreement as amended by this Amendment Number 16.
- 5.2. All references to a "Section" or "Sections" in this Amendment Number 16 shall mean a Section or Sections of the Participation Agreement unless the text expressly states otherwise.

6. **AMENDMENTS TO THE ARIZONA NUCLEAR POWER PROJECT MADE BY THIS AMENDMENT NUMBER 16:**

- 6.1. Amend Section 8A.4.4, by deleting the strikethrough text and substituting therefor the underlined text:

"Within six months after the date on which Amendment No. 13 shall become effective or such other date established by the Administrative Committee, the Termination Funding Committee shall establish criteria and standards, consistent with applicable law, including the rules and regulations of the NRC [including without limitation such discount factors, allowances for inflation, bases for estimating future net earnings on accumulations in the Termination Fund(s) of the Participants and other elements as may be appropriate to provide reasonable assurance that each Participant will accumulate in its Termination Fund(s) over the then-applicable remaining license term for each Generating Unit (as specified in the original license issued for each Generating Unit authorizing fuel load and low power operation of such unit)-sufficient funds to pay such Participant's share of the most current estimate of the Termination Costs of such unit)] that will be used by the committee to determine whether or not the periodic deposits made by each Participant in its Termination Fund(s) have been adequate and the accumulations in its Termination Funds will be adequate to meet the requirements of Section 8A.7.2.3 hereof and to comply with applicable laws. At least once every three years the Termination Funding Committee shall review such criteria and standards and make such adjustments thereto as are warranted by the circumstances then existing or as may be required by applicable law. Additionally, the Termination Funding Committee shall establish the format, content and time for submission of the funding status reports and certificates that Participants are required to submit pursuant to Section 8A.7.2.4 hereof."

- 6.2. Amend Section 35.7, by deleting the strikethrough text and substituting therefor the underlined text:

"This Participation Agreement shall terminate on the earlier of: (i) the expiration date of the longest operating license period authorized by the NRC (or any governmental agency that is a successor to the NRC) for Palo Verde Station December 31, 2027, or (ii) the date on which all Generating Units shall have been permanently removed from service and all Termination Work in respect of all Generating/Terminated Units has been completed; provided, however, that . . ."

- 6.3. Except as amended by this Amendment Number 16, the remaining terms of the Participation Agreement shall remain in full force and effect.

7. **EXECUTION BY COUNTERPARTS:**

This Amendment Number 16 may be executed in any number of counterparts, whether by facsimile, electronic signature or otherwise, and upon execution by all Participants, each executed counterpart

shall have the same force and effect as an original instrument and as if all Participants had signed the same instrument. Any signature page of this Amendment Number 16 may be detached from any counterpart of the Amendment Number 16 without impairing the legal effect of any signature thereon, and may be attached to another counterpart of this Amendment Number 16 identical in form hereto but having attached to it one or more signature pages.

8. **SIGNATURE CLAUSE:**

Each of the signatories below represents that he/she is appropriately authorized to enter into this Amendment Number 16 on behalf of the Party for which he/she signs.

**ARIZONA PUBLIC SERVICE COMPANY**

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

STATE OF ARIZONA    )  
                              ) ss.  
County of Maricopa    )

On this \_\_\_\_ day of \_\_\_\_\_, 2012, before me, the undersigned Notary Public, personally appeared \_\_\_\_\_ who acknowledged him/herself to be the \_\_\_\_\_ of ARIZONA PUBLIC SERVICE COMPANY, an Arizona corporation, and that he/she as such officer, being authorized to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by him/herself as such \_\_\_\_\_.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
\_\_\_\_\_

8. SIGNATURE CLAUSE:

Each of the signatories below represents that he/she is appropriately authorized to enter into this Amendment Number 16 on behalf of the Party for which he/she signs.

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

ATTEST AND COUNTERSIGN:

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

STATE OF ARIZONA )  
  ) ss.  
County of Maricopa )

On this \_\_\_\_ day of \_\_\_\_\_, 2012, before me, the undersigned Notary Public, personally appeared \_\_\_\_\_ who acknowledged him/herself to be the \_\_\_\_\_ of SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, an Arizona corporation, and that he/she as such officer, being authorized to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by him/herself as such \_\_\_\_\_.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_



8. SIGNATURE CLAUSE:

Each of the signatories below represents that he/she is appropriately authorized to enter into this Amendment Number 16 on behalf of the Party for which he/she signs.

SOUTHERN CALIFORNIA EDISON  
COMPANY

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

STATE OF CALIFORNIA     )  
  ) ss.  
County of Los Angeles     )

On this \_\_\_\_ day of \_\_\_\_\_, 2012, before me, the undersigned Notary Public, personally appeared \_\_\_\_\_ who acknowledged him/herself to be the \_\_\_\_\_ of SOUTHERN CALIFORNIA EDISON COMPANY, a California corporation, and that he/she as such officer, being authorized to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by him/herself as such \_\_\_\_\_.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
\_\_\_\_\_

8. SIGNATURE CLAUSE:

Each of the signatories below represents that he/she is appropriately authorized to enter into this Amendment Number 16 on behalf of the Party for which he/she signs.

PUBLIC SERVICE COMPANY OF NEW MEXICO

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

STATE OF NEW MEXICO    )  
  ) ss.  
County of Bernalillo    )

On this \_\_\_\_ day of \_\_\_\_\_, 2012, before me, the undersigned Notary Public, personally appeared \_\_\_\_\_ who acknowledged him/herself to be the \_\_\_\_\_ of PUBLIC SERVICE COMPANY OF NEW MEXICO, a New Mexico corporation, and that he/she as such officer, being authorized to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by him/herself as such \_\_\_\_\_.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

8. SIGNATURE CLAUSE:

Each of the signatories below represents that he/she is appropriately authorized to enter into this Amendment Number 16 on behalf of the Party for which he/she signs.

EL PASO ELECTRIC COMPANY

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

STATE OF TEXAS     )  
  ) ss.  
County of El Paso     )

On this \_\_\_\_ day of \_\_\_\_\_, 2012, before me, the undersigned Notary Public, personally appeared \_\_\_\_\_ who acknowledged him/herself to be the \_\_\_\_\_ of EL PASO ELECTRIC COMPANY, a Texas corporation, and that he/she as such officer, being authorized to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by him/herself as such \_\_\_\_\_.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
\_\_\_\_\_

8. SIGNATURE CLAUSE:

Each of the signatories below represents that he/she is appropriately authorized to enter into this Amendment Number 16 on behalf of the Party for which he/she signs.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY, doing business in the State of Arizona as SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY ASSOCIATION

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

STATE OF CALIFORNIA )  
 ) ss.  
County of Los Angeles )

On this \_\_\_\_ day of \_\_\_\_\_, 2012, before me, the undersigned Notary Public, personally appeared \_\_\_\_\_ who acknowledged him/herself to be the \_\_\_\_\_ of SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY, doing business in the State of Arizona as SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY ASSOCIATION, a California joint powers agency, and that he/she as such officer, being authorized to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by him/herself as such

\_\_\_\_\_

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

8. SIGNATURE CLAUSE:

Each of the signatories below represents that he/she is appropriately authorized to enter into this Amendment Number 16 on behalf of the Party for which he/she signs.

DEPARTMENT OF WATER AND  
POWER OF THE CITY OF  
LOS ANGELES

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

JUN 06 2013  
BY Syndi Driscoll  
SYNDI DRISCOLL  
DEPUTY CITY ATTORNEY

By: \_\_\_\_\_  
Ronald O. Nichols

Its: General Manager

Date: \_\_\_\_\_

And: \_\_\_\_\_  
Barbara E. Moschos, Board Secretary

STATE OF CALIFORNIA        )  
  ) ss.  
County of Los Angeles        )

On this \_\_\_\_ day of \_\_\_\_\_, 2013, before me, the undersigned Notary Public, personally appeared \_\_\_\_\_ who acknowledged him/herself to be the \_\_\_\_\_ of DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES, a California joint powers agency, and that he/she as such officer, being authorized to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by him/herself as such

\_\_\_\_\_

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
\_\_\_\_\_

ORDINANCE NO. \_\_\_\_\_

An ordinance approving Amendment Number 16 to the Arizona Nuclear Power Project Participation Agreement among Arizona Public Service Company, Salt River Project Agricultural Improvement and Power District, Southern California Edison, Public Service Company of New Mexico, El Paso Electric Company, Southern California Public Power Authority, and the City of Los Angeles, acting by and through the Department of Water and Power.

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

Section 1. The Arizona Nuclear Power Project Participation Agreement Amendment No. 16, approved by the Board of Water and Power Commissioners, Resolution No. \_\_\_\_\_ that is on file with the City Clerk is hereby approved.

Section 2. Pursuant to Los Angeles City Charter Sections 373 and 674, the Board of Water and Power Commissioners is authorized to enter into this Arizona Nuclear Power Project Participation Agreement Amendment No. 16 which extends the term of this agreement from December 31, 2027 to November 25, 2047.

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 of Hall Records.

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

JUNE LAGMAY, City Clerk

By \_\_\_\_\_  
Deputy

Approved \_\_\_\_\_

\_\_\_\_\_  
Mayor

Approved as to Form and Legality

CARMEN A. TRUTANICH, City Attorney

By \_\_\_\_\_  
SYNDI DRISCOLL  
Deputy City Attorney

Date: \_\_\_\_\_

File No. \_\_\_\_\_

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

JUN 06 2013

BY \_\_\_\_\_  
SYNDI DRISCOLL  
DEPUTY CITY ATTORNEY

0150-06855-0004

**TRANSMITTAL**

TO Ronald O. Nichols, General Manager Department of Water and Power	DATE JUN 12 2013	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT N/A	

**AMENDMENT NO. 16 TO THE ANPP PARTICIPATION AGREEMENT**

Approved and transmitted for further processing including Council consideration.  
See the City Administrative Officer report attached.

MAYOR



MAS:RPR:10130092T



REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: March 11, 2013

CAO File No.: 0150-06855-0004

Council File No.:

Council District: N/A

To: The Mayor

From: Miguel A. Santana, City Administrative Officer 

Reference: Transmittal from the Department of Water and Power dated November 29, 2012; referred by the Mayor for report on December 5, 2012

Subject: **AMENDMENT NO. 16 TO THE ANPP PARTICIPATION AGREEMENT**

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### SUMMARY

The Department of Water and Power (DWP; Department) requests approval of a proposed resolution authorizing the Department to execute Amendment No. 16 to the Arizona Nuclear Power Project (ANPP) Participation Agreement (Agreement) between the DWP and the other co-owners of the Palo Verde Nuclear Generating Station (PVNGS). The existing Participation Agreement expires in December 2027; however, the PVNGS operating license granted in 2011 by the Nuclear Regulatory Commission (NRC) remains effective through 2047. Approval of the proposed resolution allows the term of the Department's Agreement to be consistent with the NRC operating license and remain effective until the expiration date of the NRC operating license or until the date on which all three generating units have been completely removed from service. In accordance with Charter Section 373, for long term contracts, and the Los Angeles Administrative Code Section 10.5, "Limitations and Power to Make Contracts," City Council approval is required because the cumulative length of the agreement exceeds three years. The City Attorney has approved the proposed resolution and Agreement as to form and legality.

The PVNGS is a three-unit nuclear generating station with a combined capacity of over 4,000 Megawatts (MW) located in Tonopah, Arizona. DWP holds a minor 5.7 percent ownership of the generating station along with other co-owners listed below on Table 1. Each co-owner is a party to the current Participation Agreement that was originally executed in 1973, last amended in January 2011, and scheduled to expire in December 2027.

Table 1: Co-Owners of the PVNGS

- Arizona Public Service Company, a private corporation (Operating Agent) – 29.1 percent
- Salt River Project Agriculture Improvement and Power District – 17.49 percent
- El Paso Electric Company, a private corporation – 15.8 percent
- Southern California Edison Company, a private corporation – 15.8 percent
- Public Service Company of New Mexico, a private corporation – 10.2 percent
- Southern California Public Power Authority, a public entity in California – 5.91 percent
- Los Angeles Department of Water and Power (DWP) – 5.7 percent

The NRC originally granted the PVNGS a 40-year operating license per unit with the last license expiring in November 2027. In April 2011, the NRC granted a 20-year extension allowing the station to operate through November 2047. As a result of this extension, the proposed Participation Agreement is necessary to reflect the extended operation period.

Nevertheless, Department officials advise that the PVNGS co-owners will evaluate the energy alternatives available in approximately calendar year 2019 to 2020. At that time, the co-owners will elect whether to continue operations solely through the original licensed period ending in 2027, or throughout the entire term of the revised NRC license expiring in 2047. Lower prices for alternative energy sources were indicated as a possible reason for not continuing PVNGS operations.

DWP states that all co-owners of the PVNGS are to contribute annually to a decommissioning fund, based on proportional ownership, resulting in a total value of \$2 billion by 2027. In the late 1990's, DWP established a dedicated decommissioning fund to cover the Department's \$125 million total portion of the decommissioning expense. As a result of sufficient investment earnings on the decommissioning fund, which is held by DWP, the Department has not been required to make any additional contributions since 1999 and does not anticipate requiring any more payments in the future. Accordingly, approval of this proposed Agreement will not result in any additional payments or expenses relating to decommissioning expenses for the Department.

The above-mentioned aspects of the proposed Agreement, and this report, are based upon information received from the Department subsequent to the initial request submittal.

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:

1. Approve the proposed resolution authorizing the Department of Water and Power to execute Amendment No. 16 to the Arizona Nuclear Power Project Participation Agreement between the DWP and the other co-owners of the Palo Verde Nuclear Generating Station which allows the term of the Agreement to be consistent with the operating license granted by the Nuclear Regulatory Commission and remain effective until the expiration date of the operating license or until the date on which all three generating units have been completely removed from service; and
2. Return the proposed resolution to the Department for further processing, including Council consideration.

## **FISCAL IMPACT STATEMENT**

Approval of the proposed resolution will not impact the Power Revenue Fund or the City's General Fund. The proposed Agreement complies with the Department's adopted Financial Policies.

## **TIME LIMIT FOR COUNCIL ACTION**

Pursuant to Charter Section 373, "Long Term Contracts Approved by Council," and the Los Angeles Administrative Code Section 10.5, "Limitation and Power to Make Contracts," unless the Council takes action disapproving a contract that is longer than three years within 60 days after submission to Council, the contract shall be deemed approved.

*MAS:RPR:10130092*

---

12/5/12  
Ronald CA

Department of Water and Power



the City of Los Angeles

ANTONIO R. VILLARAIGOSA  
Mayor

Commission  
THOMAS S. SAYLES, *President*  
ERIC HOLOMAN, *Vice President*  
RICHARD F. MOSS  
CHRISTINA E. NOONAN  
JONATHAN PARFREY  
BARBARA E. MOSCHOS, *Secretary*

RONALD O. NICHOLS  
General Manager

November 29, 2012

The Honorable Antonio R. Villaraigosa  
Mayor, City of Los Angeles  
Room 303, City Hall  
Mail Stop 370

Attention: Ms. Mandy Morales, Legislative Coordinator

Dear Mayor Villaraigosa:

Subject: Palo Verde Nuclear Generating Station  
Arizona Nuclear Power Project Participation Agreement, Amendment Number 16

In accordance with Executive Directive No. 4, enclosed is a copy of a Board letter and supporting documents recommending approval and transmittal to the Los Angeles City Council of Amendment Number 16 to the Arizona Nuclear Power Project Participation Agreement between the Los Angeles Department of Water and Power and other co-owners of the Palo Verde Nuclear Generating Station.

It is respectfully requested that your review be completed as soon as possible. Once the required City Administrative Officer report has been received, the matter will be scheduled for action by the Los Angeles Board of Water and Power Commissioners and forwarded to the Los Angeles City Council for final consideration.

Please contact Ms. Winifred J. Yancy, Director of Local Government and Community Relations, at (213) 367-0025 upon completion of the review or if the review will take longer than 30 days, or if there are any questions regarding this item.

Sincerely,

Ronald O. Nichols  
General Manager

Enclosures

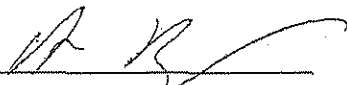
c/enc: Mr. Matthew Karatz, Office of the Mayor  
Commissioner Thomas S. Sayles, President  
Commissioner Eric Holoman, Vice President  
Commissioner Christina E. Noonan

Commissioner Richard F. Moss  
Commissioner Jonathan Parfrey  
Ms. Winifred J. Yancy

**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

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

<b>TO: BOARD OF WATER AND POWER COMMISSIONERS</b>	<b>DATE:</b>
<div style="text-align: center; margin-bottom: 20px;">   <hr style="width: 100%;"/> </div> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p><b>ARAM BENYAMIN</b> Senior Assistant General Manager – Power System</p> </div> <div style="width: 45%;"> <p><b>RONALD O. NICHOLS</b> General Manager</p> </div> </div>	<b>SUBJECT:</b>  Palo Verde Nuclear Generating Station Arizona Nuclear Power Project Participation Agreement Amendment Number 16
	<b>FOR COMMISSION OFFICE USE:</b>  RESOLUTION NO. _____
<b>CITY COUNCIL APPROVAL</b> REQUIRED: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<b>IF YES, BY WHICH CITY</b> CHARTER SECTION: 373

- New Contract (not replacing existing contract)
- Replacement Contract
- Amendment to Existing Contract

**PURPOSE**

The attached Resolution recommends to the Los Angeles City Council approval authorizing an amendment of the Arizona Nuclear Power Project Participation Agreement (Participation Agreement) among LADWP and the other co-owners of the Palo Verde Nuclear Generating Station (PVNGS) allowing the Participation Agreement to be effective until the expiration date of the longest operating license granted to the station by the Nuclear Regulatory Commission (NRC). The current termination date of the Participation Agreement is December 31, 2027. Palo Verde was granted an operating license extension in April 2011 by NRC allowing the station to operate until November 25, 2047.

**COST AND DURATION**

Amendment Number 16 to the existing Participation Agreement extends the term until the expiration date of the last operating license or until the date on which all three units shall have been completely removed from service, whichever comes first.

The extension of the Participation Agreement does not require any payment upfront but it affects the participants' contributions towards their decommissioning trust funds, also known as the Termination Fund. At present, funding to the Termination Fund is spread over the current 40-year license term, requiring higher annual contributions than if funding was applied throughout the extended term of 60 years. The extension would therefore result in a reduction in the participants' annual obligations.

## BACKGROUND

PVNGS is a three-unit nuclear generating station located in Tonopah, Arizona about 60 miles west of the City of Phoenix. The station has a combined capacity of over 4,000 Megawatts. It is owned by seven utilities:

Arizona Public Service Company (APS)	29.1 percent
Salt River Project Agricultural Improvement and Power District (SRP)	17.49 percent
Southern California Edison Company (SCE)	15.8 percent
El Paso Electric Company (EPE)	15.8 percent
Public Service Company of New Mexico (PNM)	10.2 percent
Southern California Public Power Authority (SCPPA)	5.91 percent
Los Angeles Department of Water and Power (LADWP)	5.7 percent

The Operating Agent of the station is APS. The co-owners of the station are parties to the Participation Agreement which was originally executed on August 23, 1973, was last amended on January 13, 2011 and is set to expire on December 31, 2027.

The station was initially granted by NRC a 40-year operating license per unit with the last license expiring on November 25, 2027. In April 2011, NRC granted an extension of the operating licenses by another 20 years allowing the station to operate until November 25, 2047. The extension prompts the need to amend the Participation Agreement to reflect the extended operation period.

The Participation Agreement also currently requires each participant to accumulate Termination Funds over the remaining license term to pay for the decommissioning costs after the station retires from service. Annual contributions to the Termination Fund were initially spread over a period of 40 years, but will now be adjusted and spread over a period of 60 years.

## ENVIRONMENTAL DETERMINATION

The California Environmental Quality Act does not apply to any project located outside of California. This project will be subject to environmental impact review pursuant to the National Environmental Policy Act of 1969 and/or any relevant state environmental laws that require 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.

Board of Water and Power Commissioners

Page 3

Date

**RECOMMENDATION**

It is requested that your Honorable Board adopt the attached Resolution recommending the Los Angeles City Council's approval of Amendment Number 16 to the Arizona Nuclear Power Project Participation Agreement.

AFV/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

WHEREAS, Arizona Public Service Company (APS), Salt River Project Agricultural Improvement and Power District (SRP), Southern California Edison Company (SCE), El Paso Electric Company (EPE), Public Service Company of New Mexico (PNM), Southern California Public Power Authority (SCPPA), and Los Angeles Department of Water and Power (LADWP) entered into the Arizona Nuclear Power Project Participation Agreement (Participation Agreement) on August 23, 1973, for the ownership, construction, operation and maintenance of the Palo Verde Nuclear Generating Station which consists of real property and related appurtenances, three nuclear generating units with a combined nameplate rating amounting to approximately 4,000 Megawatts, and all project agreements related thereto; and

WHEREAS, LADWP maintains a 5.7 percent interest in the Palo Verde Nuclear Generating Station; and

WHEREAS, LADWP executed a Power Purchase Agreement with SCPPA on July 1, 1981, whereby LADWP was granted a 66 percent of SCPPA's generation allocation, thus bringing its total share to 9.66 percent of the Palo Verde generation output; and

WHEREAS, the Participation Agreement was last amended on January 13, 2011 and is set to expire on December 31, 2027 in conjunction with the expiration of the last operating license; and

WHEREAS, Palo Verde's operating licenses for three units were extended for another 20 years by the Nuclear Regulatory Commission (NRC) in April 2011, allowing the station to operate until at least November 25, 2047; and

WHEREAS, the Participation Agreement is now amended to be effective until the expiration date of the last operating license or until the date on which all three units shall have been completely removed from service, whichever comes first; and

WHEREAS, the Participation Agreement requires each Palo Verde participant to make annual contributions to their respective Termination Funds over the operating life of the station which is now changed from the original 40-year license period to the current 60-year license period.

NOW, THEREFORE, BE IT RESOLVED that the Board of Water and Power Commissioners hereby approves Amendment Number 16 to the Participation Agreement authorizing an extension of the Participation Agreement to correspond with the longest term of the station's operating licenses and allowing the funding of the Termination Fund to be adjusted accordingly.



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 on

---

Secretary

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

NOV 15 2012  
BY *Synda Driscoll*  
SYNDI DRISCOLL  
DEPUTY CITY ATTORNEY

AMENDMENT NUMBER 16  
TO THE ARIZONA NUCLEAR POWER PROJECT  
PARTICIPATION AGREEMENT

1. PARTIES:

The Parties to this Amendment Number 16 to the Arizona Nuclear Power Project Participation Agreement, hereinafter referred to as "Amendment Number 16," are: ARIZONA PUBLIC SERVICE COMPANY, a corporation organized and existing under and by virtue of the laws of the State of Arizona, hereinafter referred to as "Arizona"; SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, an agricultural improvement district organized and existing under and by virtue of the laws of the State of Arizona, hereinafter referred to as "Salt River Project"; SOUTHERN CALIFORNIA EDISON COMPANY, a corporation organized and existing under and by virtue of the laws of the State of California, hereinafter referred to as "Edison"; PUBLIC SERVICE COMPANY OF NEW MEXICO, a corporation organized and existing under and by virtue of the laws of the State of New Mexico, hereinafter referred to as "PNM"; EL PASO ELECTRIC COMPANY, a corporation organized and existing under and by virtue of the laws of the State of Texas, hereinafter referred to as "El Paso"; SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY, a joint powers agency organized and existing under and by virtue of the laws of the State of California, doing business in the State of Arizona as SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY ASSOCIATION, hereinafter referred to as "SCPPA"; and DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES, a municipal corporation organized and existing under and by virtue of the laws of the State of California, hereinafter referred to as "LADWP"; all hereinafter individually referred to as "Party" and collectively as "Parties."

2. RECITALS:

- 2.1. Arizona, Salt River Project, Edison, PNM, El Paso, SCPPA and LADWP are parties to a certain agreement entitled Arizona Nuclear Power Project Participation Agreement, dated as of August 23, 1973, as amended by: Amendment Number 1, dated as of January 1, 1974; Amendment Number 2, dated as of August 28, 1975; Amendment Number 3, dated as of July 22, 1976; Amendment Number 4, dated as of December 15, 1977; Amendment Number 5, dated as of December 5, 1979; Amendment Number 6, effective as of October 16, 1981; Amendment Number 7, effective as of April 1, 1982; Amendment Number 8, executed as of September 12, 1983; Amendment Number 9, executed as of June 12, 1984; Amendment Number 10, executed as of November 21, 1985; Amendment Number 11, effective January 10, 1987; Amendment Number 12, effective August 5, 1988; Amendment Number 13, effective June 15, 1991; Amendment Number 14, effective June 20, 2000, retroactive to January 1, 1993; and Amendment Number 15, effective January 13, 2011, hereinafter, as so amended, collectively referred to as the "Participation Agreement."
- 2.2. On April 21, 2011, the NRC, by letter to Arizona, confirmed the issuance of Renewed Facility Operating License Nos. NPF-41 (Unit 1), NPF-51 (Unit 2), and NPF -74 (Unit 3) for Palo Verde Station (collectively, the "License Extensions").
- 2.3. Pursuant to the License Extensions, (i) Renewed Facility Operating License No. NPF-41 (Unit 1) expires at midnight on June 1, 2045; (ii) Renewed Facility Operating License No. NPF-51 (Unit 2) expires at midnight on April 24, 2046; and (iii) Renewed Facility Operating License No. NPF-74 (Unit 3) expires at midnight on November 25, 2047

(collectively, the "Extended License"). The latest expiration date of the original licenses previously had been November 25, 2027.

- 2.4. Pursuant to Section 35.7 of the Participation Agreement, the latest termination date of the Participation Agreement currently is December 31, 2027, which does not include the License Extensions.
- 2.5. Section 8A.4.4 of the Participation Agreement currently requires each Participant to accumulate Termination Funds over "the remaining license term (as specified in the original license issued for each Generating Unit . . . ." (emphasis added)
- 2.6. Arizona, PNM and El Paso (in Texas, not New Mexico) have already included in their cost of service the amounts for contributions to their decommissioning trust that reflect the Extended License ("60 Year Termination Funding Curves"), rather than the Original License ("40 Year Termination Funding Curves"), and collect from their respective ratepayers on that basis.
- 2.7. The Termination Funding Committee currently uses the 40 Year Termination Funding Curves to measure compliance of the Participants with the termination funding requirements set forth in the Participation Agreement and the Termination Funding Committee Manual. Therefore, the ability of Arizona, PNM and El Paso to meet their termination funding obligations is adversely impacted by the reduced recovery from their ratepayers under the 60 Year Termination Funding Curves, and their continuing obligation to maintain their Termination Funds at the higher levels required by the 40 Year Termination Funding Curves.
- 2.8. On June 18, 2012, the Termination Funding Committee held its annual meeting to submit its Annual Funding Status Reports and to resolve the foregoing termination funding curve issues. At the meeting, the Termination Funding Committee resolved, upon proper motion, that the 60 Year Termination Funding Curves were technically correct, and conditionally adopted the 60 Year Termination Funding Curves subject to the Administrative Committee's extension of the Participation Agreement term.
- 2.9. On October 19, 2012, the Administrative Committee unanimously voted to adopt the form of this Amendment Number 16.

### 3. AGREEMENT:

For and in consideration of the premises and the mutual obligations of and undertakings by the Parties as hereinafter provided in this Amendment Number 16 to the Participation Agreement, the Parties agree as set forth below.

### 4. EFFECTIVE DATE:

This Amendment Number 16 shall become effective on the date that the Party which last in time executes this Amendment Number 16. The amended termination funding curves that are associated with this Amendment Number 16 shall be applied retroactively to January 1, 2012.

5. **DEFINED TERMS:**

- 5.1. The Capitalized and italicized words and phrases used in this Amendment Number 16 shall have the meanings ascribed to them in the Participation Agreement as amended by this Amendment Number 16.
- 5.2. All references to a "Section" or "Sections" in this Amendment Number 16 shall mean a Section or Sections of the Participation Agreement unless the text expressly states otherwise.

6. **AMENDMENTS TO THE ARIZONA NUCLEAR POWER PROJECT MADE BY THIS AMENDMENT NUMBER 16:**

- 6.1. Amend Section 8A.4.4, by deleting the strikethrough text and substituting therefor the underlined text:

"Within six months after the date on which Amendment No. 13 shall become effective or such other date established by the Administrative Committee, the Termination Funding Committee shall establish criteria and standards, consistent with applicable law, including the rules and regulations of the NRC [including without limitation such discount factors, allowances for inflation, bases for estimating future net earnings on accumulations in the Termination Fund(s) of the Participants and other elements as may be appropriate to provide reasonable assurance that each Participant will accumulate in its Termination Fund(s) over the then-applicable remaining license term for each Generating Unit (as specified in the original license issued for each ~~Generating Unit authorizing fuel load and low power operation of such unit~~) sufficient funds to pay such Participant's share of the most current estimate of the Termination Costs of such unit)] that will be used by the committee to determine whether or not the periodic deposits made by each Participant in its Termination Fund(s) have been adequate and the accumulations in its Termination Funds will be adequate to meet the requirements of Section 8A.7.2.3 hereof and to comply with applicable laws. At least once every three years the Termination Funding Committee shall review such criteria and standards and make such adjustments thereto as are warranted by the circumstances then existing or as may be required by applicable law. Additionally, the Termination Funding Committee shall establish the format, content and time for submission of the funding status reports and certificates that Participants are required to submit pursuant to Section 8A.7.2.4 hereof."

- 6.2. Amend Section 35.7, by deleting the strikethrough text and substituting therefor the underlined text:

"This Participation Agreement shall terminate on the earlier of: (i) the expiration date of the longest operating license period authorized by the NRC (or any governmental agency that is a successor to the NRC) for Palo Verde Station December 31, 2027, or (ii) the date on which all Generating Units shall have been permanently removed from service and all Termination Work in respect of all Generating/Terminated Units has been completed; provided, however, that . . ."

- 6.3. Except as amended by this Amendment Number 16, the remaining terms of the Participation Agreement shall remain in full force and effect.

7. **EXECUTION BY COUNTERPARTS:**

This Amendment Number 16 may be executed in any number of counterparts, whether by facsimile, electronic signature or otherwise, and upon execution by all Participants, each executed counterpart

shall have the same force and effect as an original instrument and as if all Participants had signed the same instrument. Any signature page of this Amendment Number 16 may be detached from any counterpart of the Amendment Number 16 without impairing the legal effect of any signature thereon, and may be attached to another counterpart of this Amendment Number 16 identical in form hereto but having attached to it one or more signature pages.

8. SIGNATURE CLAUSE:

Each of the signatories below represents that he/she is appropriately authorized to enter into this Amendment Number 16 on behalf of the Party for which he/she signs.

ARIZONA PUBLIC SERVICE COMPANY

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

STATE OF ARIZONA )  
 ) ss.  
 County of Maricopa )

On this \_\_\_\_ day of \_\_\_\_\_, 2012, before me, the undersigned Notary Public, personally appeared \_\_\_\_\_ who acknowledged him/herself to be the \_\_\_\_\_ of ARIZONA PUBLIC SERVICE COMPANY, an Arizona corporation, and that he/she as such officer, being authorized to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by him/herself as such \_\_\_\_\_.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_  
 Notary Public

My Commission Expires:  
 \_\_\_\_\_

8. SIGNATURE CLAUSE:

Each of the signatories below represents that he/she is appropriately authorized to enter into this Amendment Number 16 on behalf of the Party for which he/she signs.

SALT RIVER PROJECT AGRICULTURAL  
IMPROVEMENT AND POWER DISTRICT

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

ATTEST AND COUNTERSIGN:

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

STATE OF ARIZONA )  
  ) ss.  
County of Maricopa )

On this \_\_\_\_ day of \_\_\_\_\_, 2012, before me, the undersigned Notary Public, personally appeared \_\_\_\_\_ who acknowledged him/herself to be the \_\_\_\_\_ of SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, an Arizona corporation, and that he/she as such officer, being authorized to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by him/herself as such \_\_\_\_\_.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

8. SIGNATURE CLAUSE:

Each of the signatories below represents that he/she is appropriately authorized to enter into this Amendment Number 16 on behalf of the Party for which he/she signs.

SOUTHERN CALIFORNIA EDISON  
COMPANY

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

STATE OF CALIFORNIA     )  
  ) ss.  
County of Los Angeles     )

On this \_\_\_\_ day of \_\_\_\_\_, 2012, before me, the undersigned Notary Public, personally appeared \_\_\_\_\_ who acknowledged him/herself to be the \_\_\_\_\_ of SOUTHERN CALIFORNIA EDISON COMPANY, a California corporation, and that he/she as such officer, being authorized to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by him/herself as such \_\_\_\_\_.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

8. SIGNATURE CLAUSE:

Each of the signatories below represents that he/she is appropriately authorized to enter into this Amendment Number 16 on behalf of the Party for which he/she signs.

PUBLIC SERVICE COMPANY OF NEW MEXICO

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

STATE OF NEW MEXICO     )  
  ) ss.  
County of Bernalillo     )

On this \_\_\_\_ day of \_\_\_\_\_, 2012, before me, the undersigned Notary Public, personally appeared \_\_\_\_\_ who acknowledged him/herself to be the \_\_\_\_\_ of PUBLIC SERVICE COMPANY OF NEW MEXICO, a New Mexico corporation, and that he/she as such officer, being authorized to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by him/herself as such \_\_\_\_\_.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_



8. SIGNATURE CLAUSE:

Each of the signatories below represents that he/she is appropriately authorized to enter into this Amendment Number 16 on behalf of the Party for which he/she signs.

EL PASO ELECTRIC COMPANY

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

STATE OF TEXAS     )  
                                  ) ss.  
County of El Paso    )

On this \_\_\_\_ day of \_\_\_\_\_, 2012, before me, the undersigned Notary Public, personally appeared \_\_\_\_\_ who acknowledged him/herself to be the \_\_\_\_\_ of EL PASO ELECTRIC COMPANY, a Texas corporation, and that he/she as such officer, being authorized to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by him/herself as such \_\_\_\_\_.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

8. SIGNATURE CLAUSE:

Each of the signatories below represents that he/she is appropriately authorized to enter into this Amendment Number 16 on behalf of the Party for which he/she signs.

SOUTHERN CALIFORNIA PUBLIC POWER  
AUTHORITY, doing business in the State of  
Arizona as SOUTHERN CALIFORNIA  
PUBLIC POWER AUTHORITY  
ASSOCIATION.

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

STATE OF CALIFORNIA        )  
  ) ss.  
County of Los Angeles        )

On this \_\_\_\_ day of \_\_\_\_\_, 2012, before me, the undersigned Notary Public, personally appeared \_\_\_\_\_ who acknowledged him/herself to be the \_\_\_\_\_ of SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY, doing business in the State of Arizona as SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY ASSOCIATION, a California joint powers agency, and that he/she as such officer, being authorized to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by him/herself as such

\_\_\_\_\_

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
  
\_\_\_\_\_

8. SIGNATURE CLAUSE:

Each of the signatories below represents that he/she is appropriately authorized to enter into this Amendment Number 16 on behalf of the Party for which he/she signs.

DEPARTMENT OF WATER AND  
POWER OF THE CITY OF LOS  
ANGELES

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

NOV 15 2012  
BY Syndi Driscoll  
SYNDI DRISCOLL  
DEPUTY CITY ATTORNEY

By: \_\_\_\_\_  
Aram Benyamin  
Its: Senior Assistant General Manager - Power System  
Date: \_\_\_\_\_

STATE OF CALIFORNIA     )  
  ) ss.  
County of Los Angeles    )

On this \_\_\_\_ day of \_\_\_\_\_, 2012, before me, the undersigned Notary Public, personally appeared \_\_\_\_\_ who acknowledged him/herself to be the \_\_\_\_\_ of DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES, a California joint powers agency, and that he/she as such officer, being authorized to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by him/herself as such \_\_\_\_\_.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
\_\_\_\_\_