

WHEREAS, the Los Angeles Department of Water and Power (LADWP); the United States of America acting through the Secretary of the Interior (United States); Arizona Public Service Company (APS); Nevada Power Company, a Nevada corporation doing business as NV Energy (NVE); Salt River Project Agricultural Improvement and Power District, an agricultural improvement district organized and existing under the laws of the State of Arizona (SRP); and Tucson Electric Power Company, formerly known as Tucson Gas & Electric Company, an Arizona corporation (TEP) are individually referred to as Participant or collectively as Participants in the Navajo Project pursuant to the Navajo Project Co-Tenancy Agreement, DWP No. 10498, (Co-Tenancy Agreement); and

WHEREAS, LADWP, APS, NVE, SRP and TEP are individually referred to as Co-Tenant or collectively as Co-Tenants in the Navajo Project pursuant to the Co-Tenancy Agreement; and

WHEREAS, the Navajo Project consists of the Navajo Generating Station which includes three coal-fired steam electric generating units and various related facilities and components (collectively NGS); the Southern Transmission System which includes the Navajo 500kV Switchyard and various related facilities and components (STS); and the Western Transmission System and various related facilities and components (WTS); and

WHEREAS, the LADWP divested its ownership interest in the NGS on July 1, 2016, pursuant to the Navajo Asset Purchase and Sales Agreement (APSA) with co-owner SRP, while maintaining its ownership and participant interests in the Navajo Project's transmission systems, including the Participants' rights and obligations under the Co-Tenancy Agreement; and

WHEREAS, pursuant to the APSA, the LADWP retained its pro rata liabilities and obligations for the time in which it was a participant in NGS, including all costs and responsibilities related to the shutdown of NGS such as decommissioning, decontamination, demolition and restoration of the NGS site, environmental monitoring and all other related shutdown activities; and

WHEREAS, the current NGS owners have determined that operating NGS is no longer economically viable and that shutdown of NGS is necessary no later than December 2019; and

WHEREAS, the current Indenture of Lease with the Navajo Nation for site control of the Navajo Project is set to expire on December 22, 2019 and long-term site control of the Navajo Project for both NGS shutdown and continuing use and control of the STS and WTS is necessary beyond December 22, 2019; and

WHEREAS, the Navajo Project Co-Tenants have negotiated a series of agreements with the Navajo Nation to provide that long-term site control which series of agreements have already been approved by the Navajo Nation, APS, NVE, SRP and TEP; and

WHEREAS, the Co-Tenants desire to enter into Amendment No.1 to the Indenture of Lease to (i) reflect that LADWP no longer maintains an ownership interest in NGS as of July 1, 2016, pursuant to the APSA; (ii) establish negotiated and articulated Retirement Guidelines to be used in the removal and restoration of NGS property and all related facilities and components on Navajo Nation lands; (iii) clarify that the Indenture of Lease's Covenant Not to Regulate provisions apply to retirement and post-closure activities; and (iv) provide assurances by APS, NVE, SRP and TEP of a minimum coal royalty payment to the Navajo Nation in 2018 and 2019; and

WHEREAS, the Co-Tenants desire to enter into a new lease (titled Extension Lease) with the Navajo Nation to allow NGS to continue operations through December 22, 2019 while simultaneously allowing an orderly and cost-effective shutdown, decommissioning and retirement process to occur through December 2024 pursuant to the negotiated and articulated Retirement Guidelines; and

WHEREAS, the Co-Tenants also desire to enter into the Extension Lease with the Navajo Nation to provide the Co-Tenants access for post-closure activities including long-term environmental monitoring of the NGS site and to ensure continued control and operation of the STS and WTS through December 22, 2054; and

WHEREAS, the Extension Lease also provides Navajo Nation consent to the Co-Tenants to apply for the grant of one or more rights-of-way and easements from the Secretary of the Interior (§323 Grants) on terms and conditions substantially the same as the terms and conditions of the Extension Lease where the rights-of-way and easements granted to the Co-Tenants by the Secretary of the Interior under each §323 Grant are intended to be and shall be additional and supplementary to, separate and independent from, and not conditioned upon the leasehold rights leased to the Co-Tenants under the Extension Lease; and

WHEREAS, the Extension Lease shall have a term of 35 years for the NGS lands and 37 years for the STS and WTS lands, including an option to renew the Extension Lease for an additional 33 years for the STS and WTS lands (Extension Lease Renewal Option); and

WHEREAS, the total cost of the Extension Lease is calculated not to exceed \$128,200,000, where LADWP's pro rata share of that total cost shall not exceed \$26,000,000 based on LADWP's pro rata ownership interests in the Navajo Project; and

WHEREAS, LADWP shall not enter into the Extension Lease Renewal Option without first evaluating the need for such Extension Lease Renewal Option and seeking a new and subsequent approval from the Board and City Council no later than January 1, 2048, if determined to be in the best interests of LADWP, and shall take all necessary actions in compliance and furtherance of that subsequent approval process; and

WHEREAS, the Co-Tenants desire to enter into the Memorandum of Extension Lease to confirm and record the Extension Lease in applicable public records; and

WHEREAS, the Co-Tenants and the Navajo Nation also desire to enter into the (i) Restrictive Covenant (Ash Landfill Restrictions) and (ii) Restrictive Covenant (Solid Waste Landfill and Pond Solids Restriction) relating to Navajo Nation lands to further limit Co-Tenants' potential risks and liabilities (collectively, Restrictive Covenants).

NOW, THEREFORE, BE IT RESOLVED that Amendment No.1 to the Indenture of Lease, the Extension Lease, the Memorandum of Extension Lease and the Restrictive Covenants, now on file with the Secretary of the Board and approved as to form and legality by the City Attorney (Extension Lease Documents), be and the same are hereby approved.

BE IT FURTHER RESOLVED, that the Board requests that the City Council find that the Extension Lease for a term of 35 years for the NGS lands and 37 years for the STS and WTS lands is in the best interest of the City and approve the Extension Lease Documents and authorize the Board to act on and approve all future amendments to the Extension Lease Documents, without further approval by the City Council, provided that such amendments do not increase the costs or extend the duration of the respective agreements.

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 are hereby authorized and directed to execute the Extension Lease Documents.

BE IT FURTHER RESOLVED, that the LADWP is authorized and directed under this Resolution to enter into and accept the §323 Grants when they are later finalized, subject to being substantially on the same terms and conditions of the Extension Lease.

BE IT FURTHER RESOLVED that the General Manager, or such person as the General Manager shall designate in writing, is hereby authorized, in the name of and on behalf of LADWP, to carry out the terms of the Extension Lease Documents, execute all certificates and other instruments necessary to effectuate the execution of the Extension Lease Documents and perform such ministerial acts that are necessary in order to carry out the authority conferred by this Resolution or to evidence said authority and its exercise.

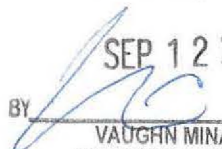
BE IT FURTHER RESOLVED that LADWP shall evaluate the need for an Extension Lease Renewal Option and seek a new and subsequent approval from the Board and City Council no later than January 1, 2048 to enter into the Extension Lease Renewal Option if determined to be in the best interests of LADWP.

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

I HEREBY CERTIFY that the foregoing is a full, true, and correct copy of the resolution adopted by the Board of Water and Power Commissioners of the City of Los Angeles at its meeting held SEP 19 2017


Secretary

APPROVED AS TO FORM AND LEGALITY
MICHAEL N. FEUER, CITY ATTORNEY

BY  SEP 12 2017
VAUGHN MINASSIAN
DEPUTY CITY ATTORNEY