



Los Angeles  
Department of  
Water & Power

RESOLUTION NO. \_\_\_\_\_

BOARD LETTER APPROVAL

Handwritten signature of Michael S. Webster in blue ink.

**MICHAEL S. WEBSTER**  
Executive Director – Power System  
Engineering and Technical Services

Handwritten signature of Marcie L. Edwards in blue ink.

**MARCIE L. EDWARDS**  
General Manager

**DATE:** December 16, 2015

**SUBJECT:** Transmission Service Contract Nos. BP 15-008 and BP 15-009 Between the Los Angeles Department of Water and Power (LADWP) and Southern California Public Power Authority (SCPPA)

### **SUMMARY**

The attached Resolution is for the approval of two Transmission Service Contracts Nos. BP 15-008 for the Mead-Adelanto Project (MAP) and BP 15-009 for the Mead-Phoenix Project (MPP) (collectively Contracts) between LADWP and SCPPA, referred here in individually as Party or collectively as Parties, to enable LADWP to obtain additional participation shares in the MAP and MPP through SCPPA. Such additional participation shares will result in additional transmission capacity that will enable LADWP to prepare to meet its Renewable Portfolio Standard (RPS) goals, to import more renewable energy from energy hubs in Arizona and Southern Nevada, and to do so without constructing additional high voltage transmission lines. Transmission capacity to these regions allows for more renewable choices.

City Council approval by ordinance is required, pursuant to Charter Section 674.

### **RECOMMENDATION**

It is recommended that the Board of Water and Power Commissioners (Board) adopt the attached Resolution recommending Los Angeles City Council's approval by ordinance the execution of the Transmission Service Contracts with SCPPA per Charter Section 674(a). In accordance with the Los Angeles City Charter, Section 674, contracts for the transmission of electric energy is subject to City Council approval by Ordinance.

### **ALTERNATIVES CONSIDERED**

LADWP is carefully monitoring and preparing for the California Legislation's adopted RPS goal of 50 percent for the State's electric utilities by the year 2030. In order to achieve this goal of 50 percent RPS, a combined balance of local and remote renewables are essential. The increased transmission capacity will help LADWP reach additional remote renewable resources such as solar, wind and geothermal. Such

renewable resources are in abundance in Owens Valley in California, Eldorado Valley (close to LADWP's Marketplace and McCullough substations) Utah, and Wyoming. It would be extremely difficult and be very expensive to build new transmission lines to these areas. The total cost to build a new line of similar length and capacity is approximately \$1.3 billion not including additional considerations for permits, land, and environmental mitigation. In addition, the owners of existing transmission lines to these areas do not have unused capacity left for LADWP to use. Taking advantage of this unique opportunity and putting in place these two new Contracts to use SCPPA's newly acquired transmission assets is a viable option for LADWP to meet its future compliance requirement of 50 percent RPS.

## **FINANCIAL INFORMATION**

LADWP will be acquiring additional participation shares in the MAP and MPP through SCPPA pursuant to a Purchase and Sale Agreement between SCPPA and M-S-R Public Power Agency (M-S-R) (No. BP 15-024). The total acquisition price for these additional shares is \$60 million.

SCPPA will finance this acquisition through the issuance of bonds. Similar to the existing MAP and MPP, LADWP shall pay for the transmission service to SCPPA through the repayment of the debt service bonds, as well as the operating and maintenance, and other costs related to the acquisition under the Contracts.

### **Funding Source**

Funding is budgeted in Power Revenue's Fund's in FI 21631.

### **Fiscal Impact Statement**

LADWP's annual financial impacts for these Contracts are estimated on an average as follows:

Debt Service: \$5.5 million per year  
Operation and Maintenance-MPP: \$672,000 per year  
Operation and Maintenance-MAP: \$574,000 per year

The annual expenditures to LADWP on average are approximately \$6.7 million or total \$95.6 million over the term of the Contracts.

## **BACKGROUND**

LADWP is presently a joint participant to the MAP and MPP having participation shares through existing transmission service contracts with SCPPA and is also the Operating Agent for MAP.



M-S-R issued a Request for Proposal to sell its share of the MAP and MPP (M-S-R Assets). The M-S-R Assets provide rights to transmission capability between Phoenix, Arizona area and Southern California Edison's system in the vicinity of Lugo Substation. M-S-R used this transmission path to deliver its energy from the San Juan Power Project from Central Arizona to Northern California. M-S-R is divesting of its interest in the San Juan Power Project and hence does not have a need for the M-S-R Assets.

The M-S-R Assets include the following components as a bundle: (a) a 11.538 percent interest (221.9 MW of transmission capability) in the Westwing-Mead 1,923 MW, 252-mile transmission line; (b) a 8.0993 percent interest (210.6 MW of transmission capability) in the Mead-Marketplace 2,600 MW, 12-mile transmission line and including a proportionate 50 percent interest in the Marketplace substation and associated facilities; (c) a 17.5 percent interest (225.9 MW of transmission capability) in the Marketplace-Adelanto 1,291 MW, 214-mile transmission line and including a proportionate 50 percent interest in the Marketplace substation and associated facilities; and (d) arrangements with the LADWP for transmission service (225.9 MW) from LADWP's Adelanto Switching Station to the midpoint of the Victorville-Lugo Transmission Line.

LADWP has identified several benefits to having additional participation shares on MAP and MPP including but not limited to (a) prepare to meet the California Legislation's adopted RPS goal of 50 percent and using this additional capacity to bring more renewable power into the Los Angeles system; (b) increase operational flexibility to move or import more renewable energy from the Palo Verde Switchyard and Mead Substation; (c) Access to the short-term market at Palo Verde for system reliability; (d) minimizing the need to build additional high voltage transmission lines in these areas in the future, which can be costly and challenging; and (e) enhance the return of assets by opportunistically generating revenues for any unused transmission capacity.

SCPPA will provide the financing and will purchase the M-S-R Assets for LADWP through a Purchase and Sale Agreement with M-S-R. SCPPA is currently an owner of the MAP and MPP Project on behalf of its members, of which LADWP is one. LADWP and SCPPA presently have existing transmission service contracts to represent those participation shares.

The purchase of M-S-R Assets will increase SCPPA's ownership in these projects. The above referenced Contracts will outline the obligations and responsibilities of the Parties for the corresponding bonds, payments and reimbursement with regards to SCPPA's purchase.

LADWP's current participation share through SCPPA, the additional shares that will be obtained by SCPPA and the new participation share upon completing this transaction is listed in the tables below.

### **Participation Share Percentages (%)**

MAP/MPP Project Components	LADWP's Participant Shares through SCPPA (%)	Additional Shares Obtained by SCPPA (%)	LADWP's New Participant Shares (%)
MPP-Westwing-Mead	5.6923%	11.5385%	17.2308%
MPP-Mead-Marketplace	3.9957%	8.0993%	12.0950%
MAP-Marketplace-Adelanto	24.2500%	17.5000%	41.7500%

### **Participation Share in Megawatts (MW)**

MAP/MPP Project Components	LADWP's Participant Shares through SCPPA (MW)	Additional Shares Obtained by SCPPA (MW)	LADWP's New Participant Shares (MW)
MPP-Westwing-Mead	110 MW	221.9 MW	331.9 MW
MPP-Mead-Marketplace	104.0 MW	210.6 MW	314.6 MW
MAP-Marketplace-Adelanto	313 MW	225.9 MW	538.9 MW

Per Charter Section 674, Los Angeles City Council approval is required. Accordingly, attached is the City Administrative Officer (CAO) report dated November 19, 2015.

### **ENVIRONMENTAL DETERMINATION**

In accordance with the California Environmental Quality Act (CEQA), it has been determined that the Contracts are exempt pursuant to the General Exemption described in CEQA Guidelines 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.

### **CITY ATTORNEY**

The Office of the City Attorney reviewed and approved the Contracts and Resolution as to form and legality.

### **ATTACHMENTS**

- Resolution
- Draft Ordinance
- Transmission Service Contract No. BP 15-008 Between LADWP and SCPPA
- Transmission Service Contract No. BP 15-009 Between LADWP and SCPPA
- Purchase and Sale Agreement No. BP 15-024 Between M-S-R and SCPPA
- CAO Report