

POWER SYSTEM  
NOV 24 2015  
EXECUTIVE OFFICE

**TRANSMITTAL**

0150-10519-0000

TO Marcie L. Edwards, General Manager Department of Water and Power	DATE <b>NOV 20 2015</b>	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT Citywide	

**TRANSMISSION SERVICE CONTRACTS BP 15-008 AND BP 15-009 WITH THE SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY (SCPPA)**

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

  
Ana Guerrero

MAYOR

**OFFICE OF THE CITY ADMINISTRATIVE OFFICER**

Date: November 19, 2015

CAO File No. 0150-10519-0000  
 Council File No.  
 Council District

To: The Mayor

From: Miguel A. Santana, City Administrative Officer *MAS*

Reference: Communication from the Department of Water and Power dated September 18, 2015; referred by the Mayor for report on October 5, 2015

Subject: **TRANSMISSION SERVICE CONTRACTS BP 15-008 AND BP 15-009 WITH THE SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY (SCPPA)**

**SUMMARY**

The Department of Water and Power (DWP; Department) requests approval of a proposed resolution by Ordinance that authorizes the DWP Board of Commissioners (Board) to execute Transmission Service Contracts BP 15-008 and BP 15-009 (collectively referred to as Contracts) with the Southern California Power Purchase Authority (SCPPA), a non-profit joint power agency. If approved, the proposed Contracts will allow DWP, through SCPPA, to acquire additional participant shares (i.e. transmission capacity rights) in the Mead-Adelanto Project (MAP) and the Mead-Phoenix Project (MPP).

DWP, through SCPPA, is currently a joint participant in both MAP and MPP through existing transmission service contracts with SCPPA. DWP is also the Operating Agent for MAP. The following table illustrates the Department's current and proposed participant share in the MAP and MPP.

<i>MAP and MPP Project Components</i>	<i>DWP's Current Participant Share (%)</i>	<i>Proposed Acquisition (%)</i>	<i>DWP's New Participant Share (%)</i>
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

Expanding the Department's participant share in MAP and MPP will provide several benefits to the DWP that include:

- (a) Supporting DWP efforts to meet a future Renewable Portfolio Standard (RPS) goal of 50 percent by 2030;
- (b) Increasing the DWP transmission capacity and operational flexibility to deliver more renewable energy from energy hubs in Arizona and Nevada including the Palo Verde Switchyard and Mead Substation;

- (c) Avoiding the need and cost associated with building new high voltage transmission lines; and,
- (d) Providing opportunities to generate revenue by selling unused transmission system capacity to other utilities.

The total acquisition price of the additional participant shares is \$60 million. DWP forecasts the total cost including debt service and operating and maintenance costs of the transmission lines to be \$95.3 million repaid over a 15 year term. SCPPA will finance this acquisition through the issuance of bonds. Consistent with the existing MAP and MPP contracts, DWP will continue to pay for the transmission service to SCPPA through the repayment of the debt service, operating and maintenance costs, and other expenses associated with the acquisition under the proposed Contracts. DWP estimates the annual fiscal impact to be \$6.35 million over 15 years. Funding is provided in the DWP Power Revenue Budget.

Various valuation methods were utilized to determine the \$60 million purchase price including the original cost in 1995, the estimated cost to construct new transmission facilities of an equal capacity, and the potential revenue from selling the acquired transmission capacity. DWP has determined that the proposed acquisition results in a beneficial value and is the only viable option for utilizing these SCPPA transmission assets. Furthermore, the expanded transmission capacity is considered by DWP to be critical for the Department to meet its future compliance requirements.

The proposed acquisition is in response to a request for proposal from M-S-R Public Power Agency (MSR) to sell their ownership shares and is pursuant to a separate Purchase and Sale Agreement BP 15-024 between MSR and SCPPA. MSR was created in 1980 through a joint agreement among the Modesto Irrigation District, Silicon Valley Power, and the City of Redding with the purpose of providing electrical energy for public or private uses.

The City Attorney has reviewed and approved the proposed resolution.

## RECOMMENDATIONS

That the Mayor:

1. Approve the proposed resolution and Ordinance related to authorize the execution of Transmission Service Contracts through the Southern California Power Purchase Authority including BP 15-008 for the Mead-Adelanto Project (MAP) and BP 15-009 for Mead-Phoenix Project (MPP); and,
2. Return the proposed resolution to the Department for further processing, including Council consideration.

## FISCAL IMPACT STATEMENT

Approval of the proposed resolution authorizes a total expenditure of approximately \$95.3 million over 15 years from the Power Revenue Fund. There is no impact to the City's General Fund. The proposed Agreements comply with the Department's adopted Financial Policies.

MAS:RPR:06160036