



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 David H. Wright in blue ink.

DAVID H. WRIGHT
General Manager

DATE: September 8, 2016

SUBJECT: Administrative, Maintenance, and Disposition Budget for
Fiscal Years 2016-2017, 2017-2018, and 2018-2019 – Mohave Project

SUMMARY

The proposed Resolution recommends to the Los Angeles City Council (City Council), approval by Ordinance, to authorize the Los Angeles Department of Water and Power (LADWP) as a co-owner of the Mohave Project to make its proportionate payments, for among other things, ongoing administrative costs, property maintenance costs, property disposition costs, and property taxes associated with the Mohave Project site for Fiscal Years 2016-2017, 2017-2018, and 2018-2019 (Mohave Project Budget). LADWP requests a total budget of \$1,437,498.15 to make payments towards LADWP's share of the three Fiscal Years' Mohave Project costs.

LADWP, along with NV Energy (NVE), a Nevada corporation, and Southern California Edison Company (SCE), a California corporation, are owners of the Mohave Project, which was the former site of the Mohave Steam Generating Station (MSGs), in Clark County, Nevada. The MSGs was decommissioned in 2012 following the demolition of the two coal-fired generating units. LADWP owns a 30 percent interest in the remaining Mohave Project property, which includes approximately 750 acres of the 2500 acre site, the bulk of which the Mohave Project participants intend to sell.

LADWP intends to retain 100 acres of land for future utility use, which will provide a valuable asset to help meet current state legislation for reducing greenhouse gas emissions and expand the use of renewable energy. A portion of the retained Mohave Project acreage will require long-term maintenance due to elevated levels of Total Dissolved Solids in the groundwater. Additionally, LADWP has an existing transmission line corridor that connects to the Mohave Project site, providing a vital strategic reason for retaining and maintaining the land.

City Council approval, by Ordinance, is required per Charter Sections 262 and 370.

RECOMMENDATION

It is requested that the Board of Water and Power Commissioners adopt the attached Resolution recommending City Council's approval to grant LADWP authority to pay its proportionate share of the three Fiscal Years' Mohave Project costs.

ALTERNATIVES CONSIDERED

Not applicable. As a co-owner of the Mohave Project, LADWP is obligated to pay its proportionate share of costs.

FINANCIAL INFORMATION

LADWP seeks authority to pay its portion of costs and expenses outlined within the Mohave Project Budget based on LADWP's 30 percent ownership share. The proposed LADWP budget, in the total amount of \$1,437,498.15 for the three Fiscal Year period, is composed of the following expenses and costs:

- Site Disposition Plan Budget – \$282,630.60
- Site Maintenance Budget – \$152,497.05
- Environmental Requirement Budget – \$84,533.55
- General Requirements Budget – \$104,840.10
- Ash Canyon Dam Repair Work Budget – \$324,409.20
- Groundwater Well Removal Budget – \$98,217.45
- Administrative and General Additive Costs Budget – \$244,570.20
- Annual Property Taxes Additive Budget – \$145,800.00

Please refer to Appendix A for a detailed cost breakdown of the Mohave Project Budget.

The Mohave Project is budgeted under LADWP's Functional Item No. 3013129, Job No. O9519. LADWP's internal audit team performs audits on Mohave Project expenditures every two years. In addition, budget vs. actual expenditures are verified through a recurring monthly variance explanation process.

BACKGROUND

The Mohave Project included a two-unit, coal-fired generating station having a total nameplate rating of 1,510 Megawatts. Both units entered commercial operation in 1971. Due to noncompliance with a consent decree that required the installation of emission control equipment, the MSGS was removed from service in December 2005 and demolition was completed by 2012. The Mohave Project co-owners continue to own approximately 2,500 acres of land in Clark County, Nevada.

Prior to July 1, 2016, the Mohave Project was owned by the following four utilities:

SCE	56.0 percent
Salt River Project (SRP)	20.0 percent
NVE	14.0 percent
LADWP	10.0 percent

Pursuant to a separate transaction with SRP related to LADWP's divestiture from the Navajo Generating Station, LADWP acquired SRP's 20 percent ownership interest in the Mohave Project on July 1, 2016, which resulted in the following ownership breakdown:

SCE	56.0 percent
NVE	14.0 percent
LADWP	30.0 percent

The Operating Agent is SCE, with headquarters in Rosemead, California.

Any future development at the site is expected to boost the economy in the Laughlin, Nevada community by providing jobs and related economic benefits. Developments such as a solar energy facility will help private development of the area, bring additional revenue, and sustain job growth and security. A typical solar facility will operate for at least 25 years.

Please see the attached City Administrative Officer report dated August 25, 2016.

ENVIRONMENTAL DETERMINATION

In accordance with Section 15060 (c)(2) of the California Environmental Quality Act (CEQA) Guidelines, an activity is not subject to CEQA if it will not result in a direct or reasonably foreseeable indirect physical change in the environment. Since adoption of the budget will not lead to any physical change, this action is not subject to CEQA.

CITY ATTORNEY

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

ATTACHMENTS

- Resolution
- Appendix A - Mohave Project Budget
- City Administrative Officer Report
- Ordinance (draft)