


POWER SYSTEM
AUG 29 2016
EXECUTIVE OFFICE

TRANSMITTAL			0220-04643-0006
TO Marcie L. Edwards, General Manager Department of Water and Power	DATE AUG 25 2016	COUNCIL FILE NO.	
FROM The Mayor	COUNCIL DISTRICT NA		
<p>RESOLUTION AUTHORIZING MOHAVE GENERATING STATION SITE BUDGET FOR FISCAL YEARS 2016-17, 2017-18, AND 2018-19</p> <p>Approved and transmitted for further processing including Council consideration. See the City Administrative Officer report attached.</p> <div style="text-align: center;"> MAYOR</div> <p style="text-align: right;">Ana Guerrero</p>			
MAS:JJ1:101600901			

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: August 22, 2016

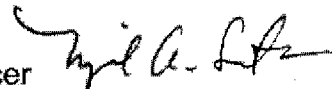
CAO File No.: 0220-04643-0006

Council File No.:

Council District: NA

To: The Mayor

From: Miguel A. Santana, City Administrative Officer



Reference: Communication from the Department of Water and Power dated March 4, 2016; referred by the Mayor for report on March 11, 2016

Subject: **RESOLUTION AUTHORIZING MOHAVE GENERATING STATION SITE BUDGET FOR FISCAL YEARS 2016-17, 2017-18, AND 2018-19**

SUMMARY

The Department of Water and Power (DWP; Department) requests approval of a proposed resolution authorizing the Department, as a co-owner of the decommissioned Mohave Steam Generating Station (Mohave Station), to pay, by Ordinance, its portion of expenses for fiscal years 2016-17, 2017-18, and 2018-19, with a not to exceed amount of \$1,437,498.15. The Mohave Station was a 1,510 Megawatt coal-fired power plant removed from service in 2005 and fully demolished in 2012. The Mohave Station site, which includes approximately 2,500 acres of land, is still co-owned by three utilities consisting of Southern California Edison Company – 56 percent, DWP – 30 percent, and Nevada Power Company – 14 percent.

Approval of this request will allow for payments to be made without an existing contract between the co-owners of the Mohave Station. Consequently, City Council approval of this request, by Ordinance, is required pursuant to Charter Section 262 and 370. The City Attorney has approved the proposed resolution as to form and legality.

As DWP is a partial (30 percent) owner of the decommissioned power plant site, the Department is responsible for paying its portion of the current and future expenses of the site. On July 1, 2016, DWP acquired Salt River Project's 20 percent interest in the Mohave Station site as partial compensation in the Navajo Generating Station Sale Agreement (C.F. 15-0645), which increased DWP's interest from 10 percent to 30 percent. The total budget for general, administrative, and legal expenses at the Mohave Station for fiscal years 2016-17, 2017-18, and 2018-19 is \$4,791,660.50 with DWP's share totaling \$1,437,498.15, as provided in the following table:

Mohave Station Budget		
Fiscal Year	Total Co-Owner Cost	DWP's Share of Cost (30%)
2016-17	\$2,111,232.00	\$633,369.60
2017-18	\$1,470,672.00	\$441,201.60
2018-19	\$1,209,756.50	\$362,926.95
3-Year Total	\$4,791,660.50	\$1,437,498.15

The Mohave Station, located in Laughlin, Nevada, entered commercial operation in 1971. Due to noncompliance with a Consent Decree that required the installation of emission control equipment, the Mohave Station was removed from service in December 2005. As of October 2007, the Mohave Station was in permanent shutdown status. Subsequently, the Department advises that many options were considered by the co-owners, including converting the station to a gas-fired generating station, selling it to interested parties, decommissioning the station, and redeveloping the site as a solar plant or a hybrid solar/gas-fired power generating plant. Following several failed attempts to sell the power plant, the co-owners agreed to decommission the Mohave Station. Each co-owner is obligated to pay its proportional share of the expenses associated with the decommissioning of the Mohave Station. Decommissioning activities began in 2009 and were completed in 2013.

Southern California Edison, as the operating agent, is progressing with a site disposition plan to sell approximately 2,000 acres (80 percent) of the 2,500 acres of the Mohave Station site through public sale. The potential future sale of the property will require additional authorization by the DWP Board of Commissioners and the City Council pursuant to Charter Section 675(d)(2). Until a plan or other option is approved, the plant site is to be maintained at a safe, secure, and environmentally compliant condition.

RECOMMENDATION

That the Mayor:

Approve the proposed resolution authorizing the Department of Water and Power, as a co-owner, to expend, by Ordinance, up to \$1,437,498.15 of the costs incurred for the operation and maintenance expense budget for the decommissioned Mohave Generating Station in fiscal years 2016-17, 2017-18, and 2018-19, and return the request to the Department for further processing, including Council consideration.

FISCAL IMPACT STATEMENT

Approval of the proposed resolution will result in a total not to exceed expenditure of \$1,437,498.15 over three years from the Power Revenue Fund. The proposed Agreement complies with the Department's adopted Financial Policies. Approval of the proposed resolution will have no impact on the City's General Fund.

TIME LIMIT FOR COUNCIL ACTION

The City Attorney advises that there is no time limitation for items approved by ordinance.