



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 Martin L. Adams in blue ink.

**MARTIN L. ADAMS**  
Chief Operating Officer

Handwritten signature of David H. Wright in black ink.

**DAVID H. WRIGHT**  
General Manager

**DATE:** November 2, 2016

**SUBJECT:** Agreements Relating to the Eldorado System

**SUMMARY**

The proposed agreements relating to the Eldorado System (Nevada Connections Agreement; Edison Connections Agreements 1-3; Interim Agreement; Nevada Magnolia Interconnection Agreement; Amended and Restated Eldorado System Co-Tenancy and Operating Agreement, DWP No. BP 16-021; and Agreement for Additional Southern California Edison Company Facilities in the Eldorado Substation, DWP No. BP 16-022) provide for the ownership, operation, and cost responsibility for the Eldorado System to be shared among the co-owners. LADWP is a co-owner with undivided ownership interest and approximately 14 percent cost responsibility. The Eldorado System consists of the Mohave-Eldorado 500 kilo Volt (kV) Alternating Current (AC) transmission line, the Mohave 500-kV switchyard, the Eldorado substation and the Eldorado-Mead 220kV AC transmission lines 1 and 2. A diagram of the Eldorado System is attached. LADWP's annual cost responsibilities are estimated to be approximately \$290,000 for operation and maintenance expenses for 2016 and a term expiration date of December 31, 2046 unless further extended by mutual agreement.

The Eldorado System provides LADWP more access to the Mead Substation, which is a very liquid trading hub, as well as providing an alternate path to bring home LADWP's Hoover energy. By providing transmission capability for renewable resources being developed in the area, the Eldorado System will benefit the overall goal of LADWP's Renewable Portfolio Standard Policy and Enforcement Program (RPS Policy) and the Power Integrated Resource Plan.

The first six proposed agreements for approval are as follows:

1. Nevada Connections Agreement between LADWP, Nevada Power Company dba NV Energy, a Nevada corporation (Nevada), 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 Southern California Edison Company, a California corporation (Edison);
2. Edison Connections Agreement 1 between LADWP, Nevada, SRP and Edison for additional Edison Connections to the Eldorado System;
3. Interim Agreement between LADWP, Nevada, SRP and Edison, a limited interconnection of Edison 220kV Switchyard to the Eldorado System for an Interim Period;
4. Edison Connections Agreement 2 between LADWP, Nevada, SRP and Edison;
5. Nevada Magnolia Interconnection Agreement between LADWP, Nevada, SRP and Edison for the interconnection of Nevada's Eldorado-Magnolia and Eldorado-NSO 230kV Lines to the Eldorado 220kV Switchyard;
6. Edison Connections Agreement 3 between LADWP, Nevada, SRP and Edison for additional Edison Connection to the Eldorado 500kV Switchyard.

These six agreements are interim in nature and would be combined and replaced immediately after approval of the two agreements below. The above agreements, with the exception of the Interim Agreement, are collectively referred to as Connecting Facilities Agreements. The proposed combined amendment and agreement for approval are as follows:

7. Amended and Restated Eldorado System Co-Tenancy and Operating Agreement, DWP No. BP 16-021 (Amended and Restated Eldorado O&O Agreement) between LADWP, Nevada and Edison and
8. Agreement for Additional Edison Facilities in the Eldorado Substation, DWP No. BP 16-022 (Edison Additional Facilities Agreement) between LADWP, Nevada and Edison.

These two agreements, if approved, will immediately replace the first six agreements above and expire on December 31, 2046, unless further extended by mutual agreement.

City Council approval is required pursuant to Los Angeles City Charter Sections 373 and 674.

### **RECOMMENDATION**

It is requested that the Board of Water and Power Commissioners (Board) adopt the attached Resolution, approved as to form and legality by the City Attorney,

recommending the Los Angeles City Council's approval by ordinance per Los Angeles Charter Section 373 and 674 of the following:

- Approve the following agreements: 1) the Nevada Connections Agreement; 2) the Edison Connections Agreement 1; 3) the Interim Agreement 4) the Edison Connections Agreement 2; 5) the Nevada Magnolia Interconnection Agreement; 6) the Edison Connections Agreement 3 and
- Approve the following: 7) the Amended and Restated Eldorado O&O Agreement; 8) the Edison Additional Facilities Agreement, and the Board's authority to act on and approve all future amendments to the respective agreements, without further approval by the City Council, provided that such amendments are ministerial and administrative in nature and do not increase the costs or extend the duration of the respective agreements. These respective agreements, if approved, will expire on December 31, 2046, unless further extended by mutual agreement.

### **ALTERNATIVES CONSIDERED**

The contracts governing the terms and conditions amongst the remaining co-owners in the Eldorado System are set to expire at the end of 2016 following 10 years of extension authorized by the Los Angeles City Council and the Board to allow for complex contract renewal negotiation.

There are no alternatives in lieu of an agreement to provide for the ownership, operation, liability and cost responsibility for the Eldorado System among the remaining co-owners.

### **FINANCIAL INFORMATION**

LADWP is approximately a fourteen-percentage owner of the Eldorado System, inclusive of SRP's asset transferred under the Navajo Generating Station Asset Purchase and Sale Agreement (PSA) on July 1, 2016. LADWP's annual cost responsibilities are estimated to be approximately \$290,000 for operation and maintenance expenses for 2016, and at similar levels through the term of these agreements.

### **BACKGROUND**

Prior to July 1, 2016, the co-owners of the Eldorado System consisted of LADWP; Nevada; SRP; and Edison. As of July 1, 2016, pursuant to Resolution No. 015-214 adopted on May 13, 2015, and approved by Ordinance No. 183629, LADWP and SRP entered into the Navajo PSA, whereas SRP transferred all its interest in the Eldorado System to LADWP and is no longer an Eldorado System co-owner.

The Eldorado System's major components are comprised of the Mohave-Eldorado 500kV AC transmission line, the Mohave 500kV switchyard, the Eldorado substation, and the Eldorado-Mead 220kV AC transmission lines 1 and 2. All components are located in the state of Nevada. The system is jointly owned by LADWP, Edison, SRP and Nevada. Edison is the majority owner and the designated operating agent of the

Eldorado System. On July 1, 2016, pursuant to the Navajo PSA, SRP transferred its entire Eldorado interest to LADWP. Thus, LADWP's overall share of the Eldorado System increased to approximately 14 percent from 10 percent.

In the past, LADWP had utilized the transmission asset of the Eldorado System to transmit Mohave energy to Los Angeles. In the future, the Eldorado System can be a very valuable asset for LADWP to support its renewable energy endeavor by providing transmission capability for renewable resources being developed in the area. Also by acquiring SRP's share, LADWP received transmission ownership rights on the Mead-Eldorado Lines 1 and 2 enabling it to increase transmission capability to bring home energy from Mead Substation where LADWP's share of Hoover power is delivered as well as several renewable energy projects.

There are currently three main agreements that govern the Eldorado System. The Eldorado System Conveyance and Co-Tenancy Agreement, as amended, which defines the ownership arrangement amongst the co-owners, the Eldorado Operating Agreement which defines, among other things, the operation, control, and cost allocation of the system, and the Mohave-Eldorado Communication Facilities Agreement. In accordance with the authority granted under Ordinance No. 182096 by the City Council, the Eldorado System Conveyance and Co-Tenancy Agreement, was last extended through December 31, 2016. The Eldorado System Operating Agreement and the Mohave-Eldorado Communication Facilities Agreement are coterminous with the System Conveyance and Co-Tenancy Agreement and, therefore, will be terminated at the same time.

The proposed Amended and Restated Eldorado O&O Agreement, among other things, combines and replaces all three of the above-mentioned Eldorado agreements and the Connecting Facilities Agreements, which will all expire in accordance with the terms and conditions of the Amended and Restated Eldorado O&O Agreement, upon the effective date of said agreement. The Amended and Restated Eldorado O&O Agreement also recognizes LADWP's increased ownership interest and removes SRP as an Eldorado co-owner. This agreement will expire on December 31, 2046.

The Edison Additional Facilities Agreement provides details for the operation, maintenance, use and cost responsibility by SCE of the 5AA transformer bank and the SCE-owned 220 kV switchyard within the Eldorado Substation site under the terms and conditions of the proposed Amended and Restated Eldorado O&O Agreement. This agreement will replace the Edison Connections Agreement 3 and is coterminous with the Amended and Restated Eldorado O&O Agreement.

Both the Amended and Restated Eldorado O&O Agreement and the Edison Additional Facilities Agreement are among LADWP, Edison and Nevada.

Therefore, the proposed agreements for approval are as follows:

1. Nevada Connections Agreement between LADWP, Nevada, SRP and Edison which was filed at the Federal Energy Regulatory Commission (FERC) on June 15, 2012, under Docket ER12-2053 to reflect the additional connection of the Eldorado-Merchant Line 2 at a new bay position within the Eldorado 220 kV Switchyard owned by Nevada, but not a component of the Eldorado System,

including the determination of cost responsibility rations for ongoing operation and maintenance;

2. Edison Connections Agreement 1 between LADWP, Nevada, SRP and Edison which was filed at FERC on June 15, 2012, under Docket ER12-2053 to allow for the ownership, construction, maintenance, operation, use and cost responsibility of the required additional facilities at the Eldorado System's Eldorado 220kV Switchyard to effect the additional Edison connection relating the Edison Interconnection Agreement with Eldorado Energy, LLC;
3. Interim Agreement between LADWP, Nevada, SRP and Edison which was filed at FERC on June 25, 2013, under Docket ER13-1777 to allow Edison to interconnect the Edison 220kV Switchyard to the Eldorado Substation so that generator testing can be performed;
4. Edison Connections Agreement 2 between LADWP, Nevada, SRP and Edison which was filed at FERC on August 13, 2013, under Docket ER13-2148 to: 1) terminate the Interim Agreement in its entirety upon the approval of said agreement; 2) provide for Edison's ownership, operation, maintenance, use and cost responsibility of the Edison 220kV Switchyard at the Eldorado Substation; and 3) specify Edison's obligations to the Eldorado Co-owners with respect to maintenance, operation, use, cost responsibility and liability associated with Edison interconnection of the Edison-owned 220kV Switchyard to the Eldorado 220kV Switchyard;
5. Nevada Magnolia Interconnection Agreement between LADWP, Nevada, SRP and Edison which was filed at FERC on November 21, 2014 to: 1) allow Nevada the right to install and connect the Eldorado-Magnolia 230kV Line and the Eldorado-NSO 230kV Line to the Eldorado 220kV Switchyard; and (2) provide for the ownership, operation, maintenance, use and cost responsibility of such connecting facilities; and
6. Edison Connections Agreement 3 between LADWP, Nevada, SRP and Edison which was filed at FERC on August 6, 2015 authorizing Edison to interconnect an Edison-owned 500/220 kV transformer to the Eldorado 500kV Switchyard and, at the appropriate time, to remove the temporary jumpers between the Edison-owned 220kV Switchyard and the Eldorado 220kV Switchyard, thus separating the Edison-owned 220kV Switchyard from the Eldorado 220kV Switchyard.
7. Amended and Restated Eldorado O&O Agreement between LADWP, Nevada and Edison to recognize LADWP's increased ownership and removal of SRP as an Eldorado co-owner as a result of the transfer of SRP's ownership interest transferred to LADWP from the execution of the Navajo PSA, and to replace and combine all the following agreements: 1) the Eldorado Co-Tenancy Agreement; 2) the Eldorado Operating Agreement; 3) Communications Facilities Agreement; 4) Nevada Connections Agreement; 5) Edison Connections Agreement 1; 6) the Edison Connections Agreement 2; 7) Nevada Magnolia Interconnection; 8) the Edison Connections Agreement 3; and

8. Edison Additional Facilities Agreement between LADWP, Nevada and Edison to provide for the operation, ownership and cost responsibility for the Edison-owned 220kV Switchyard.

#### City Administrative Officer (CAO) Report

The CAO Report dated October 19, 2016 is attached.

#### **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 these agreements provide for the ownership, operation, and cost responsibility for the Eldorado System to be shared among the remaining co-owners and no construction is needed, this action is not subject to CEQA.

#### **CITY ATTORNEY**

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

#### **ATTACHMENTS**

1. Resolution
2. Amended and Restated Agreement for Additional Nevada Power Company Connections to the Eldorado System (Nevada Connections Agreement)
3. Agreement for Additional Southern California Edison Company Connections to the Eldorado System (Edison Connections Agreement 1)
4. Limited Interconnection of Southern California Edison Company 220kV Switchyard to the Eldorado System for an Interim Period (Interim Agreement)
5. Agreement for Additional Southern California Edison Company Connections to the Eldorado System (Edison Connections Agreement 2)
6. Agreement for the Interconnection of Nevada Power Company's Eldorado-Magnolia and Eldorado-NSO 230kV Lines to the Eldorado 220kV Switchyard (Nevada Magnolia Interconnection Agreement)
7. Agreement for Additional Southern California Edison Company Connection to the Eldorado 500kV Switchyard (Edison Connections Agreement 3)
8. Amended and Restated Eldorado System Co-Tenancy and Operating Agreement, DWP No. BP 16-021 (Amended and Restated Eldorado O&O Agreement)
9. Agreement for Additional Southern California Edison Company Facilities in the Eldorado Substation, DWP No. BP 16-022 (Edison Additional Facilities Agreement)
10. Draft Ordinance
11. CAO Report dated October 19, 2016
12. Diagram of Eldorado System