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CITY ATTORNEY

REPORT NO. R 1 6 - 0 3 6 0
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REPORT RE:

**DRAFT ORDINANCE APPROVING AGREEMENTS AND AMENDMENTS
RELATED TO THE ELDORADO TRANSMISSION SYSTEM OF THE
LOS ANGELES DEPARTMENT OF WATER AND POWER**

The Honorable City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, California 90012

Honorable Members:

This Office has prepared and now transmits for your consideration the enclosed draft ordinance, approved as to form and legality. This draft ordinance provides for approval of the following: (1) the Amended and Restated Agreement for Additional Nevada Power Company Connections to the Eldorado System (Nevada Connections Agreement); (2) the Agreement for Additional Southern California Edison Company Connections to the Eldorado System (Edison Connections Agreement 1); (3) the Agreement for Additional Southern California Edison Company Connections to the Eldorado System (Edison Connections Agreement 2); (4) the Agreement for the Interconnection of Nevada Power Company's Eldorado-Magnolia and Eldorado-NSO 230kV Line to the Eldorado 220kV Switchyard (Nevada Magnolia Interconnection Agreement); (5) the Agreement for Additional Southern California Edison Company Connection the Eldorado 500kV Switchyard (Edison Connections Agreement 3) (agreements 1 through 5 are collectively referred to hereinafter as Connecting Facilities Agreements); (6) the Agreement for Limited Interconnection of Southern California Edison Company 220kV Switchyard to the Eldorado System for an Interim Period (Interim Agreement), all by and among the City of Los Angeles, acting by and through the Department of Water and Power (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); (7) the Amended and Restated Eldorado System Co-Tenancy and Operating Agreement, DWP No. BP16-021 (Amended and Restated O&O Agreement); and (8) the Agreement of Additional Southern California Edison Company Facilities in the Eldorado Substation, DWP No. BP16-022 (Edison Additional Facilities Agreement) both by and among LADWP, Nevada and Edison; and the delegation to the Board of Water and Power Commissioners (Board) limited authority to amend the Amended and Restated O&O and the Edison Additional Facilities Agreement.

Background

The Eldorado Transmission 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 (collectively, the Eldorado System). 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. 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 Generating Station Asset Purchase and Sale Agreement, whereby SRP transferred all of its interest in the Eldorado System to LADWP and is no longer an Eldorado System co-owner. 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 Generating Station energy to Los Angeles. In the future, the Eldorado System can be a very valuable asset for LADWP to support its renewable energy endeavors 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 Plant energy is delivered.

There are currently three main agreements that govern the Eldorado System: (1) the Eldorado System Conveyance and Co-Tenancy Agreement, as amended, which defines the ownership arrangement among the co-owners; (2) the Eldorado Operating Agreement which defines, among other things, the operation, control and cost allocation of the system; and (3) the Mohave-Eldorado Communication Facilities Agreement. LADWP, SRP, Nevada and Edison are all parties to these Eldorado agreements. 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 Eldorado System Conveyance and Co-Tenancy Agreement and, therefore, will terminate at the same time.

The agreements for approval pursuant to this proposed draft ordinance are as follows:

1. Connecting Facilities Agreements
2. Interim Agreement
3. Amended and Restated Eldorado O&O Agreement
4. Edison Additional Facilities Agreement

The Interim Agreement was only for an interim period so that Edison could perform generator testing and will expire upon the approval of the Edison Connections Agreement 2. The Amended and Restated Eldorado O&O Agreement, among other things, combines and replaces the Eldorado System Conveyance and Co-Tenancy Agreement, the Eldorado System Operating Agreement, the Mohave-Eldorado Communications Facilities Agreement, and the Connecting Facilities Agreements, 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, unless the remaining Eldorado co-owners mutually agree to an extension or early termination of the term.

The Edison Additional Facilities Agreement provides details for the operation, maintenance, use and cost responsibility by SCE of the 5AA transformer bank and the Edison-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 is coterminous with the Amended and Restated Eldorado O&O Agreement.

Summary of Ordinance Provisions

The enclosed draft ordinance approves the following: (1) the Connecting Facilities Agreements; (2) the Interim Agreement; (3) the Amended O&O Agreement; and (4) the Edison Additional Facilities Agreement. It also delegates authority to the Board of Water and Power Commissioners to act upon and approve amendments to the Amended and Restated O&O Agreement and the Edison Additional Facilities Agreement, provided that such amendments do not increase the costs or extend the term of said agreements.

Charter Section 674(a)(1) provides that subject to approval by ordinance, the Board shall have the power to contract with the United States or any of its agencies, any state or state agency, and any corporation public or private, located inside or outside of the City or State of California for the construction, ownership, operation and

maintenance of facilities for the generation, transformation and transmission of electric energy. In addition, pursuant to Charter Section 101, the City Council has the power to authorize the Board to amend the agreements without further City Council approval.

CEQA Findings

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 (LADWP, Nevada and Edison) and no construction is needed, this action is not subject to CEQA.

Council Rule 38 Referral

Pursuant to Council Rule 38, this draft ordinance has been presented to the Board of Water and Power Commissioners.

If you have any questions regarding this matter, please contact Deputy City Attorney Syndi Driscoll at (213) 367-4363. She or another member of this Office will be present when you consider this matter to answer any questions that you may have.

Very truly yours,

MICHAEL N. FEUER, City Attorney

By 

DAVID MICHAELSON
Chief Assistant City Attorney

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Transmittal