



Los Angeles
Department of
Water & Power

RESOLUTION NO. _____

BOARD LETTER APPROVAL

REIKO A. KERR
Senior Assistant General Manager – Power System
Engineering, Planning, and Technical Services

MARTIN L. ADAMS
Chief Operating Officer

DAVID H. WRIGHT
General Manager

DATE: June 19, 2017

SUBJECT: Amendments to Navajo Project Agreements and Facilities Agreement

SUMMARY

Approval is requested for Amendment Nos. 10 and 11 to the Navajo Project Co-Tenancy Agreement, DWP No. 10498 (Co-Tenancy Agreement), Amendment Nos. 6 and 7 to the Navajo Project Southern Transmission System Operating Agreement, DWP No. 10124 (STS Operating Agreement), Amendment No. 5 to the Navajo Project Western Transmission System Operating Agreement, DWP No. 10125 (WTS Operating Agreement)(collectively Amendments), the Facilities Agreement between Nevada Power Company d/b/a NV Energy (NVE) and the Los Angeles Department of Water and Power(LADWP), DWP No. BP 14-030 (Facilities Agreement), and approval and ratification of Amendment Nos. 1 thru 5 to the STS Operating Agreement.

1. Amendment Nos. 10 and 11 to the Co-Tenancy Agreement updates the agreement to reflect physical changes made to the STS and WTS.
2. Amendment No. 6 to the STS Operating Agreement updates the agreement to reflect physical changes made to the STS and Amendment No. 7 modifies the methodology for allocating load dispatching expenses.
3. Amendment No. 5 to the WTS Operating Agreement updates the agreement to reflect physical changes to the WTS.
4. The Facilities Agreement between Nevada Power Company d/b/a NV Energy (NVE) and the Los Angeles Department of Water and Power (LADWP) provides for the maintenance by NVE related to certain facilities outside of NVE's South Crystal

500 kV Switchyard and microwave service for LADWP's Crystal-Moapa Transmission Line.

5. Approval and Ratification of Amendment Nos. 1 thru 5 to the STS Operating Agreement.

At the time this approval package was being prepared for Amendment Nos. 6 and 7 to the STS Operating Agreement, the Transmission Contracts Group discovered that Amendment Nos. 1 thru 5 of the underlying STS Operating Agreement were only approved by the Board of Water and Power Commissioners (Board) between 1988 and 1999 under Resolution Nos. 81-306, 88-270, 96-206, 96-207 and 99-272, respectively. The Transmission Contracts Group believes that it was misconstrued that the approval of the original STS Operating Agreement by the Board and City Council in 1978 delegated the subsequent authority to the Board for all amendments. It is therefore requested that Amendment Nos. 1 thru 5 be transmitted to City Council for approval and ratification as required in Charter Section 674.

City Council approval by Ordinance is required per Charter Section 674.

RECOMMENDATION

It is requested that the Board adopt the attached Resolution recommending City Council's approval of Amendment Nos. 10 and 11 to the Co-Tenancy Agreement, Amendment Nos. 6 and 7 to the STS Operating Agreement, Amendment No. 5 to the WTS Operating Agreement, and the Facilities Agreement, and adopt and ratify Amendment Nos. 1 thru 5 of the STS Operating Agreement as required in Charter Section 674.

ALTERNATIVES CONSIDERED

There were no alternatives considered. These are existing joint project agreements wherein LADWP is a participant. They are being amended as a result of negotiations and agreement among all the participants to update the agreements with the current physical configurations of the project and update the responsibilities of the participants.

FINANCIAL INFORMATION

Amendment Nos. 10 and 11 to the Co-Tenancy Agreement and Amendment No. 6 to the STS Operating Agreement will have no financial impact to LADWP.

Amendment No. 7 to the STS Operating Agreement increases LADWP's costs by approximately \$46,000 annually, following the change in methodology for calculating load dispatching costs.

Amendment No. 5 to the WTS Operating Agreement reflects the updated cost responsibility for LADWP and NVE for the South Crystal Switchyard associated with the addition of LADWP's Crystal-Moapa 500 kV Transmission Line. These cost responsibilities include operations, maintenance (O&M), and capital improvements. O&M and capital improvements are budgeted annually. NVE has estimated the annual O&M costs for this addition to be approximately \$35,000.

The Facilities Agreement reflects all actual costs and expenses incurred by NVE in performing maintenance services for certain facilities and microwave service, which are not included in the South Crystal 500 kV Switchyard, covered under the Facilities Agreement for LADWP's Crystal-Moapa 500kV Transmission Line. NVE has estimated annual maintenance services cost to be approximately \$35,000 and a \$125 annual fee will be charged for microwave service.

BACKGROUND

The Navajo Project consists of the Navajo Generating Station (NGS) and the Navajo Transmission System, which in turn is comprised of the Southern Transmission System (STS) and the Western Transmission System (WTS). The STS includes the Navajo 500 kV Switchyard, the Navajo-Crystal Line Compensation, the Navajo-Moenkopi 500 kV Line, the Navajo-Westwing 500 kV Line, the Moenkopi-Yavapai 500 kV Line and its associated components, the Yavapai Switchyard, the Yavapai-Westwing 500 kV Line, and the Westwing Substation (all of which are located in Arizona). The WTS includes the McCullough Facilities, the Navajo-Crystal 500 kV Line, the Crystal Facilities, the Crystal-McCullough 500 kV Line, and the Western Transmission Communications System (all of which covers locations in Arizona and Nevada).

On March 23, 1976, LADWP, the United States of America acting through the Secretary of the Interior (United States), Arizona Public Service Company, NVE, Salt River Project Agricultural Improvement and Power District (SRP), and Tucson Electric Power f/k/a Tucson Gas & Electric Company (TEP) (collectively Participants), entered into the Co-Tenancy Agreement, as supplemented by Supplement No. 1 and amended by Amendment Nos. 1 through 9, and as may be further supplemented and/or amended from time to time. The Co-Tenancy Agreement established certain terms and conditions relating to each Participant's ownership interest, rights and obligations in the Navajo Project.

On July 23, 1979, the Participants entered into the STS Operating Agreement, as supplemented by Supplement No. 1 and amended by Amendment Nos. 1 thru 5, and as may be further supplemented and/or amended from time to time.

On July 23, 1979, the Participants entered into the WTS Operating Agreement, as amended by Amendment Nos. 1 through 4, and as may be further supplemented and/or amended from time to time.

On July 1, 2016 the Asset Purchase and Sale Agreement between LADWP and SRP became effective in which LADWP divested all of its interest in the NGS to SRP.

APS is the Operating Agent for the STS.

NVE and LADWP are both Operating Agents for certain portions of the WTS.

The modifications to the STS and WTS reflected in these Amendments have been approved by the Navajo Project Engineering and Operating Committee for technical feasibility, and the Legal and Negotiating Committee as to form and legality. These committees are composed of the Navajo Project Participants' representatives.

The Amendments reflect these modifications as follows:

1. Co-Tenancy Agreement (Amendment Nos. 10 and 11):

• **Amendment No. 10 reflects:**

- a. The addition of the second 500/230 kV transformer at the Yavapai Switchyard.
- b. The interconnection of the new Dugas Switchyard to the Navajo-Westwing 500 kV Line.
- c. The interconnection of the new Cedar Mountain Switchyard to the Moenkopi-Yavapai 500 kV Line.
- d. Name change for the Waddell 230 kV Interconnection to the Raceway 230 kV Interconnection.
- e. The addition of two (2) 500kV bus reactors in the Westwing 500 kV Switchyard.
- f. The removal of a TEP 500/345 kV transformer from the Westwing Substation.
- g. The removal of Project Series Capacitors, as defined in the Co-Tenancy Agreement, from the Navajo 500 kV Switchyard end of the Navajo-Moenkopi 500 kV Line.
- h. The addition of two (2) 230 kV bus sectionalizing circuit breakers in the Westwing 230 kV Switchyard.
- i. The addition of new designated points of delivery for certain Participants.
- j. Changes to the descriptions of certain Components of the Transmission System, as defined in Exhibit B to reflect the above modifications.
- k. Changes to the one line diagrams in Exhibit B-B to reflect the above modifications.
- l. Modifications to Exhibit D to reflect the name changes within the Agreement.

• **Amendment No. 11 reflects:**

- a. The interconnection of the new Crystal-Moapa 500 kV Line in the Crystal South 500 kV Switchyard (South Crystal).
- b. Changes to the descriptions of certain Components of the Transmission System, as defined in Exhibit B to reflect these modifications.
- c. Changes to the one line diagrams in Exhibit B-B to reflect these modifications.
- d. Changes to Exhibit G to reflect name changes.

2. STS Operating Agreement (Amendment Nos. 6 and 7):

• **Amendment No. 6 reflects:**

The same changes as stated in Items a thru j in Amendment No. 10 listed above in addition to the following:

- a. The addition of two (2) Westwing 230/69 kV Interconnections at the Westwing 230 kV Switchyard.
- b. Changes to the one line diagrams in Exhibit B-1 to reflect the above modifications.
- c. Modifications to Exhibit K to reflect name changes within the document, changes to the table in Section 5.2 of Exhibit K, and deletion of the K-1 diagram, to accurately reflect the current Southern Transmission Communication System.

- **Amendment No. 7 reflects:**
 - a. Revisions to Section 5.13 and associated references relating to Federal Power Commission (FPC) Accounts.
 - b. Revisions to Section 12.1.8 relating to load dispatching expenses.
 - c. Revisions to Exhibit 1 – Load Dispatching Allocation Ratio Calculation relating to the allocation of load dispatching expenses.

- **Approval and Ratification of Amendment Nos. 1 thru 5**
 Amendment Nos. 1 thru 5 of the underlying STS Operating Agreement were only approved by the Board between 1988 and 1999 under Resolution Nos. 81-306, 88-270, 96-206, 96-207 and 99-272, respectively. At the time of that approval it was misconstrued that the approval of the original STS Operating Agreement by the Board and City Council in 1978 delegated the subsequent authority to the Board for all amendments. Thus, the attached Resolution requests that the City Council ratify these amendments to the STS Operating Agreement.

3. WTS Operating Agreement (Amendment No. 5):

- **Amendment No. 5 reflects:**
 - a. The interconnection of the new Crystal-Moapa 500 kV Line into the Crystal South 500 kV Switchyard.
 - b. Changes to the descriptions of certain Components of the WTS to reflect these modifications.
 - c. Changes to the one line diagram in Exhibit B, Sheet 8 to reflect these modifications.
 - d. Modifications to NVE and LADWP's cost responsibility for the South Crystal Switchyard to reflect the addition of LADWP's new Crystal-Moapa 500kV Transmission Line.

The Crystal-Moapa 500 kV Line was constructed pursuant to the Power Purchase Agreement between K Road Moapa Solar, LLC and LADWP (Resolution 013-073). The Line will enable LADWP to receive renewable energy from the Moapa Solar Project as part of LADWP's Renewable Portfolio Standard Policy and Enforcement Program. The Crystal-Moapa 500 kV Line was in-service as of November 1, 2014. The Commercial Operation Date for the Moapa Solar Project was December 8, 2016.

4. Facilities Agreement (Agreement):

The Facilities Agreement between NVE and LADWP defines the ownership and responsibilities for maintenance and microwave services and costs for such services that are outside of the scope of the Navajo Project agreements and pertain to Structures 1, 2 and 3, including conductors, located outside of the South Crystal 500 kV Switchyard installed for the Crystal-Moapa 500 kV Line and equipment inside South Crystal solely for LADWP's backup Automatic Generation Control/Remote Terminal Unit.

City Administrative Officer (CAO) Report

The CAO Report dated March 1, 2017 is attached.

ENVIRONMENTAL DETERMINATION

In accordance with the California Environmental Quality Act (CEQA) it has been determined that amending the Co-Tenancy Agreement, the STS Operating Agreement and the WTS Operating Agreement are exempt pursuant to the General Exemption described in CEQA Guidelines Section 15061 (b)(3). General Exemptions apply in situations where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

CITY ATTORNEY

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

ATTACHMENTS

- Resolution
- Draft Ordinance
- Amendments
- Agreement
- CAO Report