



Los Angeles
Department of
Water & Power

RESOLUTION NO. _____

BOARD LETTER APPROVAL

Handwritten signature of Reiko A. Kerr in blue ink.

REIKO A. KERR

Senior Assistant General Manager – Power System
Engineering, Planning, 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 blue ink.

DAVID H. WRIGHT

General Manager

DATE: June 12, 2017

SUBJECT: Pacific Direct Current Intertie Operating Agreement BP No. 14-018,
Memorandum of Agreement BP No. 14-019 and Amended and Restated
Little Lake Communication Site Agreement LADWP No. 10462

SUMMARY

The Pacific Direct Current Intertie (PDCI) Operating Agreement (Operating Agreement) BP No. 14-018 establishes a formal agreement between Bonneville Power Administration (BPA), the operator of the PDCI from Celilo to the Nevada-Oregon Border (Northern Portion) and Los Angeles Department of Water and Power (LADWP), the operator of the PDCI from the Nevada-Oregon Border to Sylmar (Southern Portion) regarding the obligations and responsibilities for the operation of the PDCI. This Operating Agreement shall become effective upon execution by both parties for a term of thirty (30) years, unless terminated earlier in accordance with the terms of the Operating Agreement.

The PDCI Memorandum of Agreement (MOA) BP No. 14-019 among BPA and the owners of the Southern Portion, including LADWP, Southern California Edison Company, a California corporation (Edison), City of Burbank (Burbank), City of Glendale (Glendale) and City of Pasadena (Pasadena) (collectively, Southern Owners) is to establish a formal agreement to document the ownership, certain procedures and coordination, and obligations to each other with respect to the PDCI. This MOA shall become effective upon execution by all parties for a term of thirty (30) years, unless terminated earlier in accordance with the terms of the MOA.

The Amended and Restated Little Lake Communication Site Agreement LADWP No. 10462 (Communication Agreement) among the Southern Owners formally establishes the terms and conditions for the operation of the communication facilities located near Inyokern, California, known as Little Lake Microwave Relay Station, used in connection with the control and operation of the PDCI. In return for the use of a portion of Edison's existing building, LADWP shall pay to Edison each year \$2940.40 which represents a total yearly rental value. This rental value will increase by 2.1 percent annually for the first five years and shall be subject to annual review and change by Edison to reflect the then-current and anticipated conditions with regard to the Bureau of Land Management (BLM) rent increase, taxes and insurance rates. Sixty percent of this cost is reimbursable by the PDCI Southern Owners since this cost shall be considered a cost for operating the Pacific DC Transmission Facilities. The term of the Communication Agreement is coterminous with the earlier of: (i) the termination date of the Amended and Re-stated City-Edison Pacific Intertie DC Transmission Facilities Agreement (DWP Agreement No. 10078) or (ii) the date the BLM informs Edison that it will not extend or renew Edison's January 18, 1967 easement.

Collectively, the Operating Agreement, MOA and Communication Agreement are called Agreements.

City Council approval as required in Charter Section 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 674 of the Agreements, and delegation to the Board authority to act on and approve all future amendments to the PDCI Agreements, without further approval by the City Council, provided that such amendments do not increase the costs or extend the duration of the agreements.

ALTERNATIVES CONSIDERED

No alternatives were considered. BPA is the only entity that owns and operates the Northern Portion of the PDCI and is the only party to the Operating Agreement and MOA for the Northern Portion. LADWP is the operating agent of the PDCI Southern Portion and operates and maintains the Southern Portion on behalf of the Southern Owners. LADWP is required to enter into these Agreements as one of the Southern Owners and as operating agent on behalf of the Southern Owners. The Communication Agreement replaces an existing agreement with Edison that expires in 2017 for microwave facilities that the Southern Owners have on land that Edison has obtained through a lease from the BLM. The Southern Owners must enter into this Communication Agreement in order to continue having such facilities located on the land.

FINANCIAL INFORMATION

There are no costs to be incurred pursuant to the PDCI Operating Agreement or PDCI MOA. For the Communication Agreement, in return for the use of a portion of Edison's existing building LADWP shall pay to Edison each year \$2940.40 which represents a total yearly rental value. This rental value will increase by 2.1 percent annually for the first five years and shall be subject to annual review and change by Edison to reflect the then-current and anticipated conditions with regard to the BLM rent increase, taxes and insurance rates. Sixty percent of this cost is reimbursable by the PDCI Southern Owners since this cost shall be considered a cost for operating the Pacific DC Transmission Facilities.

BACKGROUND

The PDCI is a 500-kV DC transmission system which includes the Celilo Converter Station (Celilo CS) located in Dalles, Oregon, the Sylmar Converter Station (Sylmar CS) located in Sylmar, California, and the DC transmission line that connects Celilo CS and Sylmar CS. The PDCI was built jointly by BPA and the Southern Owners as a single high voltage DC system to connect the Pacific Northwest with Southern California and deliver electric power to LADWP's native load customers as well as the Southern Owners' customers. BPA owns, operates and maintains the Celilo CS and DC transmission line from Celilo to the Nevada – Oregon Border (NOB), which is the Northern Portion. LADWP operates and maintains the Sylmar CS and the DC transmission line from NOB to Sylmar - Southern Portion - on behalf of the Southern Owners. The Northern and Southern Portions of the PDCI have been physically connected at NOB and in operation since May 21, 1970.

BPA and LADWP, on behalf of the Southern Owners, desire to enter into the PDCI Operating Agreement to establish a formal document pertaining to their agreement on matters related to the operation of the PDCI. This Operating Agreement shall become effective upon execution by both parties for a term of thirty (30) years, unless terminated earlier in accordance with the terms of the Operating Agreement.

In addition, BPA and the Southern Owners desire to enter into the MOA to document their ownership, certain procedures and coordination, and obligations to each other with respect to the PDCI. This MOA shall become effective upon execution by all parties for a term of thirty (30) years, unless terminated earlier in accordance with the terms of the MOA.

In January 18, 1967, the Southern Owners executed a communication facilities agreement for a fifty (50) year term. Said agreement is due to expire and the Southern Owners desire to execute the Communication Agreement with an effective date of January 18, 2017 as a replacement. The term of the Communication Agreement is coterminous with the earlier of: (i) the termination date of the Amended and Re-stated City-Edison Pacific Intertie DC Transmission Facilities Agreement or (ii) the date the BLM informs Edison that it will not extend or renew Edison's January 18, 1967 easement.

City Administrative Officer (CAO) Report

The CAO report dated April 11, 2017 is attached.

ENVIRONMENTAL DETERMINATION

In accordance with the California Environmental Quality Act (CEQA), it has been determined that these Agreements 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 reasonable 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 Agreements and Resolution as to form and legality.

ATTACHMENTS

- Board Resolution
- Draft Ordinance
- PDCI Operating Agreement BP No. 14-018
- Memorandum of Agreement on the PDCI BP No. 14-019
- Amended and Restated Little Lake Communication Site Agreement LADWP No. 10462
- CAO Report