



Los Angeles
Department of
Water & Power

RESOLUTION NO. _____

BOARD LETTER APPROVAL

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Chief Operating Officer

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DATE: December 8, 2017

SUBJECT: Agreement for the Operation, Maintenance, Replacement, Ownership and Interconnections at Mead Substation Among the United States Department of Energy's Western Area Power Authority, Nevada Power Company, Doing Business as NV Energy, the Los Angeles Department of Water and Power, and Southern California Edison Company, DWP No. BP 17-017

SUMMARY

The proposed Agreement for the Operation, Maintenance, Replacement, Ownership and Interconnections at Mead Substation (Eldorado Mead OM&R Agreement) is related to the Eldorado Transmission System (Eldorado) and is between the United States Department of Energy's Western Area Power Authority (WAPA) as the operator of the Intertie Transmission System and owner of Mead Substation, and the Eldorado Co-Owners, collectively the Los Angeles Department of Water and Power (LADWP), Nevada Power Company, doing business as NV Energy (NVE), and Southern California Edison Company (SCE). This Agreement provides for the interconnection at Mead Substation for two 230-kiloVolt (kV) lines that extend from Eldorado Substation to Mead Substation and are a part of the Eldorado Transmission System. The proposed Eldorado Mead OM&R Agreement provides for the ownership, OM&R of facilities, use of Common Facilities, interconnections, financial responsibilities, and sharing of responsibilities at Mead Substation. A diagram of the Eldorado Transmission System is depicted in Figure 1 (attached). LADWP's annual cost responsibilities are approximately \$79,003 for OM&R and Facilities Use Charges for Fiscal Year (FY) 2018. The Agreement has a term of 50 years, terminating on September 30, 2067.

City Council approval, by Ordinance, 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 recommending City Council's approval, by Ordinance, of the following:

- The execution of this Eldorado Mead OM&R Agreement between WAPA and the Eldorado Co-Owners, and
- Authorization for the Board to act on and approve all future amendments to the Eldorado Mead OM&R Agreement, without further approval by the City Council, provided that such amendments do not increase the costs or extend the duration of the Eldorado Mead OM&R Agreement.

ALTERNATIVES CONSIDERED

There are no alternatives in lieu of the Eldorado Mead OM&R Agreement. The consequences of not approving this Agreement will lead to LADWP's inability to use the transmission lines between Eldorado Substation and Mead Substation, thus impacting LADWP's ability to bring home LADWP's Hoover energy and/or energy from any other renewable resources being developed in the area.

FINANCIAL INFORMATION

LADWP is approximately a 19 percent owner of the Eldorado-Mead Lines. LADWP's annual cost responsibilities are estimated to be approximately \$79,003 for OM&R and Facilities Use Charge for FY 2018, and at similar levels through the 50-year term of the Eldorado Mead OM&R Agreement.

BACKGROUND

The Eldorado Co-Owners jointly own, as tenants in common, the Eldorado Transmission System located in southern Nevada. The Eldorado Transmission System includes the Eldorado to Mead transmission lines that interconnect with WAPA's Mead substation. The Eldorado Transmission System is within the Balancing Authority Area of the California Independent System Operator Corporation.

SCE, as the Eldorado Transmission System operating agent and on behalf of the Eldorado Co-Owners, entered into an agreement for the interconnections at Mead Substation (Mead Interconnection Contract) with a predecessor-in-interest to WAPA on July 31, 1967 (WAPA Contract No. 14-06-300-1871). That agreement provided for the interconnection of two 230kV transmission lines from Eldorado Substation at Mead Substation, and specified the construction, ownership, and financial responsibilities for the facilities and equipment at Mead for the interconnection of the two Eldorado Mead

lines. The Mead Interconnection Contract between WAPA and SCE as operating agent terminated by its own terms on May 31, 2017. The Eldorado Co-Owners elected to be included in the negotiation and approval phases of the Eldorado Mead OM&R Agreement, to be named as participants, and to be signatories to the agreement, instead of having SCE solely negotiate for the Eldorado Co-Owners and be solely named, as in the previous agreement.

Eldorado Mead OM&R Agreement

The major substantive provisions of this Agreement are as follows:

- 1) **Parties.** As Section 1 (Preamble) provides, the contract is between WAPA and the Eldorado Co-Owners. Currently, SCE is the Operating Agent on behalf of the Eldorado Co-Owners under the Amended and Restated Eldorado System Co-Tenancy and Operating Agreement.
- 2) **Term.** Section 4.1 of the Eldorado Mead OM&R Agreement provides for a 50-year term, which begins on June 1, 2017 and terminates on September 30, 2067, but each party can terminate the Agreement upon one year advance written notice (unless a shorter notice period is agreed upon by the parties).
- 3) **Interconnection and Common Facilities Use Charge.** Section 11 provides that the Eldorado Co-Owners shall have the right to interconnect at Mead Substation by the Eldorado-Mead Lines, and to transmit power and energy across the 230-kV facilities at Mead Substation for the purpose of obtaining or interchanging energy, and shall pay a monthly charge to WAPA for such interconnection, known as the Common Facilities Use Charge.
- 4) **Compensation for Maintenance.** Section 14 provides that payments shall be made to WAPA for Routine Maintenance, Major Maintenance, and Emergency Maintenance.
- 5) **Liability.** Section 15 provides a mutual waiver of consequential damages. WAPA is the transmission operator under the North American Electric Reliability Corporation (NERC) rules and each Party bears its own responsibility for any NERC penalties. The Eldorado Co-Owners agree to indemnify WAPA for the Eldorado Co-Owners' construction, operation, maintenance, or replacement activities under the Eldorado Mead OM&R Agreement. As the Eldorado Mead OM&R Agreement is a System Agreement under the Amended and Restated Eldorado System Co-Tenancy and Operating Agreement, liability among the Eldorado Co-Owners is handled under that agreement.

- 6) **Reservation of Rights.** Section 26 preserves each Party's rights under Sections 205 or 206 of the Federal Power Act and the Federal Energy Regulatory Commission's rules and regulations, except to the extent that the Parties otherwise agree.

The Eldorado Transmission System provides LADWP more access to the Mead Substation, which is a very liquid trading hub. In the past, LADWP had utilized the Eldorado Transmission System to transmit energy from the now-decommissioned Mohave Generating Station to Los Angeles. In the future, the Eldorado Transmission System and the Eldorado-Mead lines can be very valuable assets for LADWP in providing an alternate path to bring home LADWP's Hoover energy, as well as providing transmission capability for renewable resources being developed in the area, and benefitting the overall goals of LADWP's Renewable Portfolio Standard Policy and Enforcement Program and the Power Integrated Resource Plan.

ENVIRONMENTAL DETERMINATION

Determine item is exempt pursuant to California Environmental Quality Act (CEQA) Guidelines 15060 (c)(2). In accordance with this section, an activity is not subject to CEQA if it will not result in a direct or reasonably foreseeable indirect physical change in the environment. The ownership, OM&R, use, interconnections, financial responsibilities, and sharing of responsibilities at Mead Substation, as described in the Eldorado Mead OM&R Agreement, will not result in any physical change in the environment; therefore, this activity is not subject to CEQA.

City Administrative Officer (CAO) Report

The CAO Report dated November 21, 2017 is attached.

CITY ATTORNEY

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

ATTACHMENTS

- Resolution
- Eldorado Mead OM&R Agreement (BP 17-017)
- Figure 1 (Eldorado Transmission System and Adjacent Facilities in Southern Nevada Areas)
- Draft Ordinance
- CAO Report