

Los Angeles



Department of Water & Power

ERIC GARCETTI  
Mayor

Commission  
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WILLIAM W. FUNDERBURK JR., *Vice President*  
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CHRISTINA E. NOONAN  
BARBARA E. MOSCHOS, *Secretary*

February 19, 2014

The Honorable City Council  
City of Los Angeles  
Room 395, City Hall  
Los Angeles, California 90012

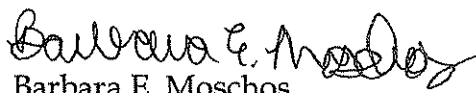
Honorable Members:

Subject: Authorizes Payments up to \$200,000 for Los Angeles Department of Water and Power's Administrative Budget for the Mohave Generating Station

Pursuant to Charter Sections 262 and 370, enclosed for approval by your Honorable Body is Resolution No. 014 153, adopted by the Board of Water and Power Commissioners on February 18, 2014, approved as to form and legality by the City Attorney, which authorizes payments up to \$200,000 for Los Angeles Department of Water and Power's Administrative and Maintenance Budget for the Mohave Generating Station - Fiscal Year 2014.

If additional information is required, please contact Ms. Winifred Yancy, Manager of Intergovernmental Affairs and Community Relations, at (213) 367-0025.

Sincerely,

  
Barbara E. Moschos  
Board Secretary

BEM:oja

Enclosures: LADWP Resolution  
Board Letter  
Attachment A - Mojave Generating Station - 2014 Maintenance and  
Administrative Budget - (2014 Mohave Budget)  
CAO Report

Los Angeles Aqueduct Centennial Celebrating 100 Years of Water 1913-2013

111 N. Hope Street, Los Angeles, California 90012-2607 Mailing address: Box 51111, Los Angeles, CA 90051-5700  
Telephone: (213) 367-4211 www.LADWP.com

c/enc: Mayor Eric Garcetti

Councilmember Felipe Fuentes, Chair, Energy and the Environment Committee

Gerry F. Miller, Chief Legislative Analyst

Miguel A. Santana, City Administrative Officer

Rafael Prieto, Legislative Analyst, CLA

William R. Koenig, Chief Administrative Analyst

Winifred Yancy

WHEREAS, Nevada Power Company (NPC), Salt River Project Agricultural Improvement and Power District (SRP), and Southern California Edison Company (SCE) entered into the Mohave Project Plant Site Conveyance and Co-Tenancy Agreement (Mohave Co-Tenancy Agreement) on May 29, 1967, for the ownership, construction, operation and maintenance of the Mohave Project which consists of real property and related appurtenances, two steam-electric generating units with a nameplate rating of 755 MW each, and all project agreements related thereto; and

WHEREAS, the Los Angeles Department of Water and Power (LADWP) executed the Plant Site Conveyance 2 and the Mohave Project Plant Site Conveyance and Co-Tenancy Agreement Assignment, LADWP Agreement No. 10211, with SCE on December 23, 1968, whereby, LADWP acquired an undivided 20-percent interest in and to the Mohave Project on December 23, 1968; and

WHEREAS, LADWP retains a 10-percent interest in the Mohave Plant Site and Mohave Project after divesting half of its original interest in December 2001; and

WHEREAS, the Mohave Co-Tenancy Agreement expired by its term on July 1, 2006, and

WHEREAS, the Mohave Generating Station was removed from service in January 2006, permanently shut down in October 2007 and completely decommissioned in 2013.

WHEREAS, each co-owner continues to have residual environmental and payment obligations as tenants-in-common for the Mohave Generating Station plant site and the post-decommissioning maintenance of the generating station; and

WHEREAS, the Mohave Generating Station 2014 Maintenance and Administrative Budget (2014 Mohave Budget) has been established for the Mohave Generating Station for the calendar year of 2014 which includes post-decommissioning maintenance costs of the plant site, and LADWP's proportionate share is \$165,350; and

WHEREAS, LADWP allocated \$34,650 for an emergent work fund to cover incidental expenses such as accounting adjustments for severance or post-retirement benefits of former Mohave Generating Station employees, environmental remediations of the plant site, and studies for reuse of the plant site, among others.

NOW, THEREFORE, BE IT RESOLVED that the Board of Water and Power Commissioners hereby approves payments up to \$200,000 for LADWP's proportionate share of the 2014 Mohave Budget for Fiscal Year 2014 and any emergent work, on file with the Secretary of the Board.

SEP 18 2014

BE IT FURTHER RESOLVED that the Chief Accounting Employee is authorized and directed, upon proper certification, to draw demands on the Power Revenue Fund up to \$200,000 for payment of LADWP's proportionate share of the 2014 Mohave Budget for Fiscal Year 2014 and any emergent work, consistent with this Resolution and on file with the Secretary of the Board.

I HEREBY CERTIFY that the foregoing is a full, true, and correct copy of a resolution adopted by the Board of Water and Power Commissioners of the City of Los Angeles at its meeting held FEB 18 2014

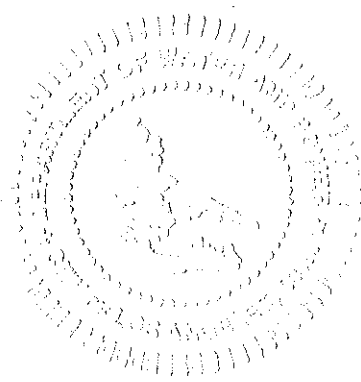
  
Secretary

APPROVED AS TO FORM AND LEGALITY  
MICHAEL N. FEUER, CITY ATTORNEY

SEP 13 2013

BY

  
VAUGHN MINASSIAN  
DEPUTY CITY ATTORNEY





Los Angeles  
Department of  
Water & Power

RESOLUTION NO. 014 153

FEB 18 2014

**BOARD LETTER APPROVAL**

**DAVID H. WIGGS**  
Senior Assistant General Manager  
Power System

**JAMES B. MCDANIEL**  
Interim General Manager

**DATE:** February 10, 2014

**SUBJECT:** Mohave Generating Station 2014 Maintenance and Administrative Budget

**SUMMARY**

The attached Resolution recommends to the Los Angeles City Council, by Ordinance, for an approval authorizing the Los Angeles Department of Water and Power (LADWP), as a co-owner of the now decommissioned Mohave Generating Station (Mohave Station) to make payments for administrative expenses, labor, contract services, and maintenance expenses in order to maintain the plant site in a safe, secure and environmentally compliant condition for the calendar year of 2014 (2014 Mohave Budget).

City Council approval by Ordinance is required per Charter Sections 262 and 370.

**RECOMMENDATION**

It is recommended that the Board of Water and Power Commissioners (Board) adopt the attached Resolution recommending City Council's approval in granting LADWP authority to pay its portion of the 2014 Mohave Budget.

**ALTERNATIVES CONSIDERED**

Not applicable.

**FINANCIAL INFORMATION**

LADWP requests a total budget of \$200,000 which includes \$165,350 required for LADWP to make payments of its share toward the administrative and maintenance expenses of the Mohave Station in 2014 as detailed in Attachment A and an additional \$34,650 allocated for emergent work that may arise.

## BACKGROUND

The Mohave Station was a two-unit, coal-fired power plant having a total nameplate rating of 1,510 megawatts. The station is owned by four utilities:

Southern California Edison Company (SCE)	56.0 percent
Salt River Project (SRP)	20.0 percent
Nevada Power Company (NPC)	14.0 percent
LADWP	10.0 percent

The Operating Agent is SCE, headquartered in Rosemead, California.

The now decommissioned Mohave Station is located in Laughlin, Nevada. Both units entered commercial operation in 1971. The Mohave Station was removed from service in December 2005 due to noncompliance with a Consent Decree that required the installation of emission control equipment. It was subsequently shutdown in October 2007.

Decommissioning activities began in July 2009 and were completed in 2013. Most of the facilities were removed and the plant site was returned to brownfield conditions with only a building and the perimeter fence retained. Post-closure groundwater sampling was also performed and resulting analysis plans were approved by the Southern Nevada Health District. While there are currently no permanent employees at the site, maintenance work continues to ensure the site to be safe, secure and environmentally compliant until a redevelopment plan or other option is formulated.

Post-decommissioning maintenance activities would include weekly inspections of the waste holding tank and the perimeter fencing for any signs of breach and/or damage, security monitoring, and routine activities such as road and fence repairs, Ash Canyon dam and retention basin maintenance for possible erosion or damage, landfill maintenance, bush and fire hazard clearing, monitoring wells maintenance and measurements for possible contamination of underground water, among others. The Operating Agent would also incur labor and overhead costs to oversee all these activities. In addition, there are legal expenses associated with two litigation cases still pending including one covering the property taxes, and the other about the sales tax applied to the coal burned in the past.

LADWP seeks authority to pay its portion of costs and expenses outlined within the 12-month budget for the Mohave Station covering the period between January 1, 2014, through December 31, 2014. The 2014 budgets are composed of the following expenses and costs:

- A capital budget of \$600,000 for costs associated with the removal and closure of some groundwater monitoring wells.
- An expense budget of \$1,053,501 for the following:
  - Environmental Requirements which include groundwater monitoring and testing, facility maintenance, etc. (\$190,300)

- General Requirements such as site utilities, home office management costs, periodic site inspections, insurance and real property transactions (\$281,700)
- Site Maintenance which includes the inspection and upkeep of the grounds, culverts, and basins (\$78,000)
- Payroll Taxes, Benefits, Administrative and General Costs (A&Gs), and Legal Costs (\$341,501)
- 2014 Property Taxes (\$162,000)

LADWP's share of the capital and expense budgets comes out to \$163,350. In addition, LADWP plans to set aside an emergent work fund amounting to \$34,650 to cover unspecified expenses related to accounting adjustments for severance costs and post retirement benefits, environmental remediation of the landfill areas and groundwater, studies for reuse or redevelopment of the plant site, and other unplanned emergent expenses. Though an emergent work fund was previously approved per Resolution No. 013-171, such funds were not used in 2013 and have now been rendered unavailable for use in 2014, thus, prompting the need to make a request for a separate emergent work fund for any potential expenditures incurred during the 2014 budget period.

The total funding that LADWP seeks for the 2014 Mohave Budget is \$200,000.

### **ENVIRONMENTAL DETERMINATION**

The California Environmental Quality Act (CEQA) does not apply to any project located outside of California which will be subject to environmental impact review pursuant to the National Environmental Policy Act of 1969 or pursuant to a law of that state requiring preparation of a document containing essentially the same points of analysis as in an Environmental Impact Statement prepared under the National Environmental Policy Act of 1969. Any emissions or discharges that would have a significant effect on the environment in the State of California are subject to CEQA where a California public agency has authority over the emissions or discharges.

### **CITY ATTORNEY**

The Office of the City Attorney reviewed and approved the 2014 Mohave Budget and Resolution as to form and legality.

### **ATTACHMENTS**

- A. Resolution
- B. Ordinance (draft)
- C. Mohave Generating Station 2014 Maintenance and Administrative Budget
- D. City Administrative Officer Report





Attachment A

**MOHAVE GENERATING STATION  
2014 Maintenance and Administrative Budget  
(2014 Mohave Budget)**

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**Expense Budget:**

LADWP's share of the Expense Budget is \$105,350 and covers the following items:

- Environmental Requirements which include groundwater monitoring and testing, facility maintenance, etc. (\$19,030)
- General Requirements such as site utilities, home office management costs, periodic site inspections, insurance, real property transactions (\$28,170)
- Site Maintenance which includes the inspection and upkeep of the grounds, culverts, and basins (\$7,800)
- Payroll Taxes, Employee Benefits, Administrative and General Costs (A&Gs) (\$34,150)
- 2014 Property Taxes (\$16,200)

**Capital Budget:**

LADWP's share of the Capital Budget is \$60,000 which covers the costs associated with the removal and closure of some groundwater monitoring wells.

**Emergent Work Fund:**

LADWP sets aside \$34,650 to cover incidental costs including the following expenses:

- auditing/accounting adjustments for Post-Severance Pension and other Post Retirement Benefits
- environmental remediation for coal ash disposal facility, underground water contamination, slurry pipeline removal
- emergent issues with station decommissioning such as remediation of construction landfills contaminated with asbestos and site drainage
- potential site reuse initiatives and studies
- other unidentified expenses

**Total 2014 Mohave Budget:**

• Expense Budget for Mohave Generating Station	\$ 105,350
• Capital Budget for Mohave Generating Station	\$ 60,000
• Emergent Work Fund for Mohave Generating Station	<u>\$ 34,650</u>

Total: **\$ 200,000**

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REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: October 16, 2013

CAO File No.: 0220-04643-0004

Council File No.:

Council District: NA

To: The Mayor

From: Miguel A. Santana, City Administrative Officer



Reference: Communication from the Department of Water and Power dated September 19, 2013; referred by the Mayor for report on October 3, 2013

Subject: **RESOLUTION AUTHORIZING MOHAVE GENERATING STATION 2014 BUDGET FOR DECOMMISSIONING EXPENSES**

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### SUMMARY

The Department of Water and Power (DWP; Department) requests approval of a proposed resolution authorizing the Department, as a co-owner of the decommissioned Mohave Generating Station (Mohave Station), to pay, by Ordinance, its portion of expenses for the budget period January 1, 2014 through December 31, 2014, with a not to exceed amount of \$200,000. The Mohave Station is a 1,510 Megawatt coal-fired power plant that is co-owned by four utilities consisting of Southern California Edison Company (SCE) – 56 percent, Salt River Project – 20 percent, Nevada Power Company – 14 percent, and DWP – 10 percent.

Approval of this request will allow for payments to be made without an existing contract between the co-owners of the Mojave Station. Consequently, City Council approval of this request, by Ordinance, is required pursuant to Charter Section 262 and 370. The City Attorney has approved the proposed resolution as to form and legality. As DWP is a partial (10 percent) owner of the decommissioned power plant site, the Department is responsible for paying its portion of the current and future expenses of the site. A budget request that is similar to this proposal will be submitted annually for consideration until all co-owners approve the future use of this site and a formal contract is executed.

The Mohave Station, located in Laughlin, Nevada, entered commercial operation in 1971. Due to noncompliance with a Consent Decree that required the installation of emission control equipment, the Mohave Station was removed from service in December 2005. As of October 2007, the Mohave Station was in permanent shutdown status. Subsequently, the Department advises that many options were considered by the co-owners, including converting the station to a gas-fired generating station, selling it to interested parties, decommissioning the station, and redeveloping the site as a solar plant or a hybrid solar/gas-fired power generating plant. Following several failed attempts to sell the power plant, the co-owners agreed to decommission the Mohave Station. Each co-owner is obligated to pay its proportional share of the expenses associated with the decommissioning of the Mohave Station. Decommissioning activities began in 2009 and were completed in 2013. Until a redevelopment plan or other option approved, the plant site is to be maintained at a safe, secure,

and environmentally compliant condition.

The total 2014 budget for general, administrative, and legal expenses at the Mohave Station is \$1,653,501 with DWP's share totaling \$163,350. The total amount requested by the Department includes an additional \$34,650 for an Emergent Work Fund that could be used for incidental expenses related to accounting adjustments for severance costs and post-retirement benefits, environmental remediation of the landfill areas and groundwater, or studies for plant site redevelopment. DWP states that an Emergent Work Fund was previously approved per Resolution No. 013-171; although, funds were not expended in 2013 and are now unavailable for use in the 2014 budget period. As a result, the Department is requesting \$34,650 in the Emergent Work Fund for any incidental expenses incurred in 2013.

The significant assets of the Eldorado Transmission System that extend through the Mohave Station will be preserved and retained under the same ownership arrangement. This transmission system and switchyard, which remains partially owned by DWP, can be used in the future to transmit renewable power such as solar or wind energy.

Upon review of the attached DWP request, it is the opinion of this Office that the item can be approved as the requested action appears to be reasonable and in accordance with City policies and procedures.

## **RECOMMENDATION**

That the Mayor:

Approve the proposed resolution authorizing for the Department of Water and Power, as a co-owner, to expend, by Ordinance, \$200,000, towards the costs incurred in 2014 for decommissioning the Mohave Generating Station and to establish an Emergent Work Fund for incidental expenses incurred in 2014, and return the request to the Department for further processing, including Council consideration.

## **FISCAL IMPACT STATEMENT**

Approval of the proposed resolution will result in a total not to exceed expenditure of \$200,000 from the Power Revenue Fund. The proposed Agreement complies with the Department's adopted Financial Policies. Approval of the proposed resolution will have no impact on the City's General Fund.

## **TIME LIMIT FOR COUNCIL ACTION**

The City Attorney advises that there is no time limitation for items approved by ordinance.

**ORDINANCE NO. \_\_\_\_\_**

An ordinance approving the Los Angeles Department of Water and Power's allocation and expenditure of \$200,000 for costs, expenses and any emergent work identified within the Mohave Generating Station 2014 Maintenance and Administrative Budget, on file with the Secretary of the Board of Water and Power Commissioners.

**THE PEOPLE OF THE CITY OF LOS ANGELES  
DO ORDAIN AS FOLLOWS:**

Section 1. Notwithstanding Charter Section 370, the Board of Water and Power Commissioners authorized the allocation and expenditure of \$ 200,000 by the Los Angeles Department of Water and Power for costs, expenses and any emergent work related to the decommissioned Mohave Generating Station for calendar year 2014, by resolution, in accordance with its authority under Charter Sections 602, 603(b) and 674, and requests approval from the City Council, by ordinance, pursuant to Charter Sections 262 and 674, to allocate and expend up to \$ 200,000 for such costs and work identified within the Mohave Generating Station 2014 Maintenance and Administrative Budget, on file with the Secretary of the Board of Water and Power Commissioners.

Section 2. The Chief Accounting Employee of the Los Angeles Department of Water and Power, upon proper certification by the General Manager, and the Controller of the City of Los Angeles are hereby authorized to approve all demands and lawfully make payments up to \$ 200,000 for costs, expenses and emergent work identified within the Mohave Generating Station 2014 Maintenance and Administrative Budget, on file with the Secretary of the Board of Water and Power Commissioners.

Section 3. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of \_\_\_\_\_.

HOLLY L. WOLCOTT, Interim City Clerk

By \_\_\_\_\_ Deputy

Approved \_\_\_\_\_

\_\_\_\_\_  
Mayor

Approved as to Form and Legality

MICHAEL N. FEUER, City Attorney

By \_\_\_\_\_  
VAUGHN MINASSIAN  
Deputy City Attorney

Date \_\_\_\_\_

File No. \_\_\_\_\_

APPROVED AS TO FORM AND LEGALITY  
MICHAEL N. FEUER, CITY ATTORNEY

SEP 13 2013  
BY DRAFT ONLY  
VAUGHN MINASSIAN  
DEPUTY CITY ATTORNEY