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REPORT NO. R 1 6 - 0 0 1 8
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REPORT RE:

DRAFT ORDINANCE APPROVING (1) THE MEAD-ADELANTO PROJECT TRANSMISSION SERVICE CONTRACT, DWP NO. BP 15-008, AND (2) THE MEAD-PHOENIX PROJECT TRANSMISSION SERVICE CONTRACT, DWP NO. BP 15-009, BOTH BY AND BETWEEN THE CITY OF LOS ANGELES, ACTING BY AND THROUGH THE DEPARTMENT OF WATER AND POWER, AND THE SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

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. The draft ordinance provides for the approval of (1) the Mead-Adelanto Project Transmission Service Contract, DWP No. BP 15-008, and (2) the Mead-Phoenix Project Transmission Service Contract, DWP No. BP 15-009, both by and between the City of Los Angeles, acting by and through the Department of Water and Power (LADWP), and the Southern California Public Power Authority (SCPPA) (collectively referred to as Contracts). The execution of these Contracts will increase LADWP's participation share in the Mead-Adelanto Project and Mead-Phoenix Project, collectively referred to as the Project.

Background

As part of its Renewable Portfolio Standard (RPS), LADWP must procure 50% of its electricity from renewable resources by 2030. In order to achieve this target, a combined balance of local and remote renewable energy resources is essential.

LADWP is presently a joint participant in the Project, having participation shares through existing transmission service contracts with SCPPA, and is also the operating agent for the Mead-Adelanto Project. Additional participation shares in the Project will result in more transmission capacity that will enable LADWP to meet its RPS targets by *importing more renewable energy from energy hubs in Arizona and Southern Nevada*, and to do so without constructing additional high voltage transmission lines. The increased transmission capacity will help LADWP reach remote renewable resources such as solar, wind and geothermal. Such renewable resources are in abundance in Owens Valley, California; Eldorado Valley (close to LADWP's Marketplace and McCullough substations); Utah; and Wyoming. It would be extremely difficult and very costly to build new transmission lines to these areas. The total cost to build a new line of similar length and capacity is approximately \$1.3 billion, not including additional considerations for permits, land and environmental mitigation.

LADWP has identified several benefits to having additional participation shares in the Project, including, but not limited to: (a) helping meet its 50% RPS by using this additional transmission capacity to bring more renewable power into the Los Angeles system; (b) increasing operational flexibility by moving or importing more renewable energy from the Palo Verde Switchyard and Mead Substation; (c) accessing the short-term market at Palo Verde for system reliability; (d) minimizing the need to build additional high voltage transmission lines in these areas in the future; and (e) enhancing the return of assets by opportunistically generating revenues from any unused transmission capacity.

When M-S-R Public Power Agency (MSR) issued a Request for Proposal (RFP) to sell its share of the Project, LADWP saw an opportunity to increase its transmission capacity at the Project and responded to the RFP through SCPPA. LADWP will be acquiring additional participation shares in the Project through SCPPA pursuant to a Purchase and Sale Agreement (PSA) between SCPPA and MSR. The PSA has already been approved by the SCPPA Board of Directors and the MSR Commission, and shall consummate upon the execution of these Contracts. SCPPA will finance this acquisition through the issuance of bonds. LADWP will pay for the additional participation share on the Project in accordance with these Contracts which outline LADWP's obligation to SCPPA for the repayment of the debt service bonds, operation and maintenance of the additional shares, and other costs related to the acquisition under the Contracts. The annual expenditures to LADWP, including operation and maintenance, are approximately \$6.7 million for a total of \$95.6 million over the term of the Contracts. At the end of the term of the Contracts, the debt service bonds will be satisfied in full, at which point SCPPA will transfer interest of its acquisition under the PSA to LADWP.

Summary of Ordinance Provisions

The enclosed draft ordinance approves the Mead-Adelanto Project Transmission Service Contract, DWP No. BP 15-008, and the Mead-Phoenix Project Transmission Service Contract, DWP No. BP 15-009, both by and between LADWP and SCPPA.

Charter Section 647(a)(1) provides that subject to approval by ordinance, the Board of Water and Power Commissioners 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 of State of California for the construction, ownership, operation and maintenance of facilities for the generation, transformation and transmission of electric energy.

CEQA Findings

In accordance with the California Environmental Quality Act (CEQA), it has been determined that these Contracts 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.

Council Rule 38 Referral

Pursuant to Council Rule 38, the 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 you may have.

Very truly yours,

MICHAEL N. FEUER, City Attorney

By


DAVID MICHAELSON
Chief Assistant City Attorney

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Transmittal