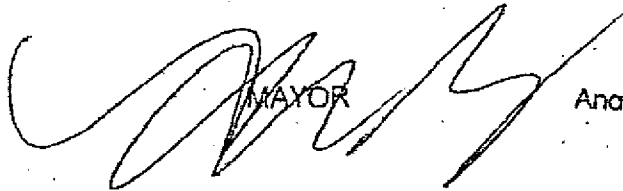


TRANSMITTAL		0150-11023-0001
TO David H. Wright, General Manager	DATE JUL 17 2019	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT All	
<p>AGREEMENT BETWEEN THE LOS ANGELES DEPARTMENT OF WATER AND POWER AND THE UNITED STATES DEPARTMENT OF ENERGY'S WESTERN AREA POWER AUTHORITY FOR THE OWNERSHIP, OPERATION, MAINTENANCE, REPLACEMENT, AND INTERCONNECTIONS AT MEAD SUBSTATION</p> <p>Approved and transmitted for further processing including Council consideration. See the City Administrative Officer report attached.</p> <p style="text-align: center;"> MAYOR Ana Guerrero</p>		

RHL:IR:10190116

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 13, 2019

CAO File No. 0150-11023-0001
Council File No.
Council District:

To: The Mayor

From: Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Communication from the Department of Water and Power dated December 31, 2018

Subject: **AGREEMENT BETWEEN THE LOS ANGELES DEPARTMENT OF WATER AND POWER AND THE UNITED STATES DEPARTMENT OF ENERGY'S WESTERN AREA POWER AUTHORITY FOR THE OWNERSHIP, OPERATION, MAINTENANCE, REPLACEMENT, AND INTERCONNECTIONS AT MEAD SUBSTATION**

RECOMMENDATION

That the Mayor:

1. Approve the proposed Resolution and Ordinance authorizing the execution of an agreement with the United States Department of Energy's Western Area Power Authority for the Ownership, Operation, Maintenance, and Replacement, use of Common Facilities, and Interconnections at the Mead Substation:
 - a. Approve a contractual term of fifty years retroactive from October 1, 2017 to September 30, 2067; and delegate limited authority to the Board to act on and approve all future amendments without further approval by the City Council, provided that such amendments do not increase the cost or extend the term;
 - b. Upon proper certification, the Chief Accounting Employee is authorized and directed to draw demands on the Power Revenue Fund, in accordance with the terms of this Agreement.
2. Return the proposed Resolution and Ordinance to the Department for further processing, including City Council consideration.

SUMMARY

The Los Angeles Department of Water and Power (LADWP) requests authority to execute a fifty year agreement between the United States Department of Energy's Western Area Power Authority (WAPA) for the Ownership, Operation, Maintenance, and Replacement (OM&R), use of Common

Facilities and Interconnections at Mead Substation for three city-owned transmission lines and facilities and equipment. This agreement consolidates two separate agreements previously executed with WAPA, both which recently expired for the same services. The estimated annual cost for 2019-20 is \$625,926 for OM&R and the use of Common Facilities at the Mead Substation, subject to annual modification upon mutual consent between the LADWP and WAPA. In addition, the proposed Ordinance requests limited authority for the Board of Water and Power Commissioners (Board) to make future amendments to the Mead OM&R agreement without further approval by the City Council, provided that such amendments do not increase the costs (excluding inflationary adjustments), or extend the term of the Agreement.

Pursuant to Charter Section 373, for long term contracts, City Council approval is required as the cumulative term exceeds three years and Charter Section 674, for power transmission contracts, subject to approval by ordinance.

The City Attorney has approved the proposed Resolution and Ordinance as to form and legality.

Background

The WAPA is one of four power marketing administrations within the United States Department of Energy which markets and delivers hydroelectric power and related services within a fifteen state region of the central and western United States. Under the proposed agreement with WAPA, electric energy is generated and transmitted from Hoover Dam to Mead Substation and exchanged across three transmission lines which extend from Mead Substation. Specifically, two 230-kilovolt (KV) transmission lines referred to as the Mead McCullough lines extend from Mead Substation to the McCullough Switching Station, and one 287-KV transmission line referred to as the Mead Victorville line extends from Mead Substation to the Victorville Substation. Additionally, the Mead Substation is owned and operated by WAPA, whereas the three transmission lines, McCullough Switching Station and Victorville Substations are owned by LADWP.

Previously two separate agreements with the LADWP and WAPA provided for the sale and consolidation of the City of Los Angeles facilities between Hoover Dam and Mead Substation and the exchange of capacity and transmission of electricity and interconnection at the Mead Substation as noted below:

- LADWP Contract No. 10198 / Term: August 1, 1978 – December 31, 2018
Purpose: Interconnection at Mead Substation for the OM&R of facilities for the Mead Victorville Line Bay at Mead Substation
- LADWP Contract No. 10461 / Term: June 16, 1992 – September 30, 2017
Purpose: Sale and consolidation of facilities between Hoover Dam and Mead Substation, exchange of capacity and the OM&R for the Mead McCullough Line Bays

The proposed agreement consolidates these two separate agreements and comprehensively provides for the Ownership, OM&R, use of Common Facilities and Interconnections at Mead Substation, financial responsibilities and sharing of responsibilities. The responsibilities for OM&R

include Routine Maintenance, Major Maintenance, and Emergency Maintenance. The Department's attached report (Exhibit A) specifies the Ownership, OM&R, and direct annual OM&R cost responsibilities for facilities and equipment pursuant to this agreement, and (Exhibit B) specifies the annual Common Facilities Use Charge for each designated function at Mead Substation. Together, under the new agreement, the estimated annual cost for 2019-20 is \$625,926. The estimated annual cost has been updated from the Department's transmittal to the Mayor's Office dated December 31, 2018, due to an increase in the number of designated functions from two to three effective January 1, 2019 as outlined in Exhibit B of the Department's report. Future annual estimated costs, including future Consumer Price Index (CPI) adjustments are subject to modification, upon mutual consent between the LADWP and WAPA.

Governance

The Department's transmittal to the Mayor's Office requested full authority for the Board to act on and approve all future amendments, without further approval by the City Council. Our Office expressed concern that full authority would limit the City Council's opportunity to weigh in on amendments with potential items of interest or concern over the term of the contract without having to seek timely jurisdiction over the Board's action. The Department has agreed to revise the request and seek limited authority consistent with past practice. A revised Resolution and Ordinance are included in the package seeking limited authority for the Board to act on and approve all future amendments to the proposed Mead OM&R agreement, without further approval by the City Council, provided that such amendments do not increase the cost (excluding inflationary adjustments) or extend the term.

Under the City Charter Section 674, the Board 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 or State of California; for the construction, ownership, operation, and maintenance of facilities for the generation, transformation, and transmission of electric energy. The City Attorney's Office has advised that any potential future amendments are still subject to Board approval and a public comment process.

FISCAL IMPACT STATEMENT

There is no General Fund impact. Approval of the proposed Resolution and Ordinance impacts the Power Revenue Fund annually for Ownership, OM&R, and Interconnections at Mead Substation, the use of Common Facilities, and financial responsibilities and sharing of responsibilities. Annual funding will be provided accordingly to support this purpose. The proposed action complies with the City Financial Policies in that funding is available for this purpose.

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Attachments