



RESOLUTION NO. 025 118

BOARD LETTER APPROVAL


David Hanson (Nov 22, 2024 12:28 PST)

DAVID W. HANSON
Senior Assistant General Manager
Power System



JANISSE QUIÑONES
Chief Executive Officer and Chief Engineer

DATE: November 22, 2024

SUBJECT: Second Amended and Restated Navajo Co-Tenancy Agreement No. BP 22-014; Second Amended and Restated Navajo Southern Transmission System Operating Agreement No. BP 22-015; and Second Amended and Restated Navajo Western Transmission System Operating Agreement No. BP 22-016

SUMMARY

Transmitted for approval is the Second Amended and Restated Navajo Co-Tenancy Agreement No. BP 22-014 (Second Amended and Restated CTA); the Second Amended and Restated Navajo Southern Transmission System Operating Agreement, No. BP 22-015 (Second Amended and Restated STSA); and the Second Amended and Restated Navajo Western Transmission System Operating Agreement No. BP 22-016 (Second Amended and Restated WTSA), collectively, the Second Amended and Restated Navajo Project Agreements.

The City of Los Angeles, acting by and through the Department of Water and Power (LADWP); the United States of America, Department of Interior, Bureau of Reclamation; Arizona Public Service Company, an Arizona Corporation (APS); Nevada Power Company d/b/a NV Energy, a Nevada corporation; Salt River Project Agricultural Improvement and Power District, an agricultural improvement district organized and existing under the laws of the State of Arizona (SRP); and Tucson Electric Power Company, an Arizona corporation (TEP) are individually referred to as the Navajo Participant or collectively as Navajo Participants in the Navajo Project. The Navajo Participants are joint owners in the Navajo Project, consisting of the Navajo Southern Transmission System (STS) and the Navajo Western Transmission System (WTS).

City Council approval, by ordinance, is required pursuant to the City Charter Section 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 Second Amended and Restated Navajo Project Agreements and delegate to the Board the authority to amend said agreements without further approval by the City Council, provided that such amendment does not increase the cost or extend the term of said agreements.

ALTERNATIVES CONSIDERED

A "no project agreement" alternative was considered. However, such an alternative is not feasible. Without the Second Amended and Restated Navajo Project Agreements, LADWP would not be able to continue its participation in the Navajo Project. The Second Amended and Restated Navajo Project Agreements establish the terms and conditions of the existing Navajo Project and are the result of negotiations among the Navajo Participants.

FINANCIAL INFORMATION

The Second Amended and Restated Navajo Project Agreements have been updated to accurately reflect each Navajo Participant's ownership share and cost responsibilities. Based on the current makeup of the Navajo Project, LADWP's annual cost responsibility is estimated at \$5,000,000.

BACKGROUND

LADWP is a participant of the Navajo Project, which originally consisted of the Navajo Generating Station (NGS), STS, and WTS. In 2019, NGS was decommissioned by the Navajo Participants, leaving the Navajo Project to be comprised of STS and WTS.

On June 24, 2020, City Council approved the Amended and Restated Navajo Co-Tenancy Agreement, the Amended and Restated Navajo STS Operating Agreement, and the Amended and Restated Navajo WTS Operating Agreement (collectively the Amended and Restated Navajo Project Agreements). The Amended and Restated Navajo Project Agreements were put in place to establish the terms and conditions of the Navajo Project, which are comprised of the STS and WTS after the decommissioning of the NGS.

The Navajo Participants now desire to enter into the Second Amended and Restated Navajo Project Agreements to update specific terms and conditions to reflect the current operation and maintenance practices on the Navajo Project. The Second Amended and Restated Navajo Project Agreements will supersede the existing Amended and Restated Navajo Project Agreements.

The Navajo Participants now desire to enter into the Second Amended and Restated CTA to: (1) update specific terms and conditions relating to the operation and maintenance of the Navajo Project to make it consistent with the current agreed upon practices on the Navajo Project; (2) revise the language in Section 12 (Destruction) to allow the Navajo Participants flexibility to decide if and when the facilities should be restored depending on the cost of restoration; (3) remove in its entirety Exhibits B, G, and J, and replace them with amended versions that accurately reflect the current Navajo Participants' ownership shares, cost responsibility, and the facilities as it currently exists; (4) add a new Exhibit K outlining the procedures for determining the minimum restoration level on the Navajo Project; and (5) make this agreement consistent with changes being made to the Second Amended STSA and Second Amended and Restated WTSA (Second Amended and Restated CTA).

The Navajo Participants now desire to enter into the Second Amended and Restated STSA to: (1) update the responsibility for the operation and maintenance costs found in Exhibit B for the period of January 1, 2020 through December 31, 2029; (2) update minor language changes throughout the agreement; (3) remove in its entirety the existing Exhibits A, B, K, and M-1, and replace them with amended versions that accurately reflect the current Navajo Participants' ownership shares, cost responsibility, and the facilities as it currently exists; and (4) make this agreement consistent with changes being made to the Second Amended and Restated CTA and Second Amended and Restated WTSA (Second Amended and Restated STSA).

The Navajo Participants desire to enter the Second Amended and Restated WTSA to: (1) update the responsibility for the operation and maintenance costs found in Exhibit B for the period of January 1, 2020, through December 31, 2029; (2) update minor language changes throughout the agreement; (3) remove in its entirety Exhibits A, B, and K and replace them with amended versions that accurately reflect the Navajo Participants' ownership shares, cost responsibility, and the facilities as it currently exists; and (4) make this agreement consistent with changes being made to the Second Amended and Restated CTA and Second Amended and Restated STSA (Second Amended and Restated WTSA).

Executive Directive No. 4 Process: City Administrative Officer Report

In accordance with the Mayor's Executive Directive No. 4, the City Administrative Officer's (CAO) Report was approved on October 11, 2024.

ENVIRONMENTAL DETERMINATION

Determine item is exempt pursuant to California Environmental Quality Act (CEQA) Guidelines Section No. 15060(c)(3). In accordance with this section, an activity is not subject to CEQA if it does not meet the definition of a project. Section No. 15378(b)(5) states that organizational or administrative activities that will not result in direct or indirect physical changes in the environment do not meet that definition. Therefore, the Second Amended and Restated Navajo Agreements and amendments to such

agreements to revise language and update definitions, diagrams, and cost responsibility ratios are not subject to CEQA.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved the Resolution and the Second Amended and Restated Navajo Project Agreements as to form and legality.

ATTACHMENTS

- Resolution
- Second Amended and Restated Navajo Project Agreements
- Ordinance (draft)
- CAO Report