

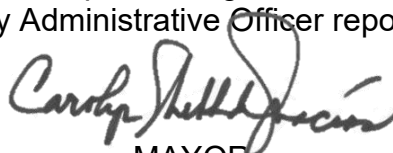
0150-12721-0000

TRANSMITTAL

TO Janisse Quinones, General Manager Los Angeles Department of Water and Power	DATE 10/2/2024	COUNCIL FILE
FROM The Mayor	COUNCIL DISTRICT ALL	

PROPOSED RESOLUTION AND ORDINANCE AUTHORIZING THE EXECUTION OF THE NAVAJO Q255 LARGE GENERATOR INTERCONNECTION AGREEMENT – CONTRACT NO. 54483/DWP NO. BP 23-011 BETWEEN THE LOS ANGELES DEPARTMENT OF WATER AND POWER, 302PN 8me, LLC, THE UNITED STATES BUREAU OF RECLAMATION, THE ARIZONA PUBLIC SERVICE COMPANY, THE NEVADA POWER COMPANY, THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, AND THE TUCSON ELECTRIC POWER COMPANY

Transmitted for further processing and Council consideration.
See the City Administrative Officer report attached.


MAYOR

Attachment
MWS:PJH:JVW:IR:JFH:10250046t

(Carolyn Webb de Macias for)

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: September 9, 2024

CAO File No.: 0150-12721-0000

Council File No.:

Council District: All

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Communication from the Department of Water and Power dated June 14, 2024; referred by the Mayor for report on July 1, 2024

Subject: **PROPOSED RESOLUTION AND ORDINANCE AUTHORIZING THE EXECUTION OF THE NAVAJO Q255 LARGE GENERATOR INTERCONNECTION AGREEMENT – CONTRACT NO. 54483/DWP NO. BP 23-011 BETWEEN THE LOS ANGELES DEPARTMENT OF WATER AND POWER, 302PN 8me, LLC, THE UNITED STATES BUREAU OF RECLAMATION, THE ARIZONA PUBLIC SERVICE COMPANY, THE NEVADA POWER COMPANY, THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, AND THE TUCSON ELECTRIC POWER COMPANY**

RECOMMENDATION

That the Mayor:

1. Approve the proposed Los Angeles Department of Water and Power (LADWP, Department) Resolution and Ordinance authorizing the execution of the Navajo Q255 Large Generator Interconnection Agreement – Contract No. 54483/DWP No. 23-011 between – LADWP, 302PN 8me, LLC, the United States Bureau of Reclamation, the Arizona Public Service Company, the Nevada Power Company, the Salt River Project Agricultural Improvement and Power District, and the Tucson Electric Power Company;
2. Delegate authority to the Los Angeles Board of Water and Power Commissioners (Board) by ordinance and authorize the Board to act on and approve all future amendments to the Interconnection Agreement pursuant to Charter Section 674;
3. Authorize, upon proper certification, the Chief Accounting Employee to draw demands on the Power Revenue Fund, in accordance with the terms of this Agreement; and
4. Return the proposed Resolution to LADWP for further processing, including Council consideration.

SUMMARY

The Los Angeles Department of Water and Power requests authority to execute the Navajo Q255 Large Generator Interconnection Agreement – Contract No. 54483/DWP No. 23-011 (Navajo LGIA) by Ordinance. The Interconnection Agreement is between (1) 302PN 8me, LLC (Interconnection Customer); and (2) the LADWP, the United States Bureau of Reclamation, the Arizona Public Service Company, the Nevada Power Company, the Salt River Project Agricultural Improvement and Power District, and the Tucson Electric Power Company collectively known as the Navajo Participants.

In accordance with the Amended and Restated Navajo Co-Tenancy Agreement, DWP No. BP19-006 (Navajo CTA), the Navajo Participants are joint owners of the Navajo Project. The Navajo Project consists of the Navajo Southern Transmission System (STS) and the Navajo Western Transmission System. The Navajo 500 kilovolt (kV) Switchyard is one of the components of the STS and is managed by Arizona Public Service Company as the designated Operating Agent.

The Navajo LGIA will allow the Interconnection Customer to physically interconnect a 2,000 megawatt (MW) photovoltaic solar generating facility and a 2,000 MW Battery Energy Storage System, known as the Large Generator Interconnection Project Q255 (Q255 Project), with the Navajo 500 kV Switchyard. While the LADWP is not granted any rights to power produced by the Interconnection Customer's facilities, bids can be made to sell energy to the interconnected energy market.

Since the City of Los Angeles, acting by and through LADWP, has a 21.2 percent ownership share in the Navajo 500 kV Switchyard and is a joint owner of the Navajo Project, the LADWP is required to execute the Navajo LGIA.

In accordance with Charter Section 674, subject to City Council approval by ordinance, 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. This Office has reviewed the request and recommends approval.

BACKGROUND

On July 1, 2024, the Mayor's Office requested a review of a June 14, 2024 LADWP report and proposed Los Angeles Board of Water and Power Commissioners (Board) Resolution and Ordinance for approval of the Navajo LGIA – Contract No. 54483/DWP No. BP 23-011. The Navajo LGIA is between the Interconnection Customer and the Navajo Participants, including the LADWP. The Navajo LGIA, included in the Attachment, details the many terms of the agreement as well as what is required for the interconnection of the Interconnection Customer's Q255 Project. Some significant Agreement requirements and terms are discussed below as detailed in the attached Agreement.

Parties to and Participants in the Navajo LGIA – The parties to this agreement consist of the Interconnection Customer and the Navajo Participants. The Navajo Participants include:

- City of Los Angeles, acting by and through LADWP
- United States of America, Department of the Interior, Bureau of Reclamation
- Arizona Public Service Company (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
- Tucson Electric Power Company formerly known as Tucson Gas and Electric Company, an Arizona Corporation

Proposed Interconnection Agreement – The Navajo LGIA establishes costs, terms, and conditions for the construction, operation, and maintenance of facilities needed for the Interconnection Customer to physically interconnect the firm's 2,000 MW photovoltaic solar generating facility and 2,000 MW Battery Energy Storage System, known as the Q255 Project, to the Navajo 500 kV Switchyard, a component of the Navajo Project. The term of the Navajo LGIA is coterminous with the Navajo CTA thru December 23, 2035, unless it is terminated earlier in accordance with the termination provision of the Agreement. As provided in Navajo LGIA, Article 2.3, concerning early termination, the Agreement shall terminate upon the first of the following events to occur: (a) the termination of the Agreement or any replacement agreement, (b) written agreement of all parties to terminate the Agreement, (c) termination of the Agreement pursuant to Article 20 concerning default, (d) termination of the Agreement pursuant to Article 5.16 concerning suspension of work, and (e) upon no less than 90 calendar days' advance written notice of termination from Interconnection Customer to Operating Agent, APS.

As detailed in Appendix A of Navajo LGIA, requirements for the Interconnection Customer's Q255 Project interconnection to the Navajo 500 KV Switchyard provide that if the Commercial Operation Date is not achieved within the timeframe to be determined by the Operating Agent, the interconnection request will be deemed withdrawn and the Agreement terminated. Appendix A also prohibits the use of the grid to charge the Interconnect Customer's batteries and that actual costs incurred applicable to the maintenance, repair, and replacement of Transmission System Interconnection Facilities are the responsibility of the Interconnection Customer. The Interconnection Customer will be allowed to assign the agreement subject to the provisions of Navajo LGIA Article 22.1 and the provisions of the Navajo CTA.

The proposed interconnection with the Navajo 500 kV Switchyard will take place on land owned by the Navajo tribes, near Page, Arizona approximately 540 miles from Los Angeles. While the Navajo LIGA does not grant LADWP any rights to power generated by the Interconnection Customer, it does permit the Interconnection Customer to place bids to sell power to the interconnected energy market resulting in expanded capacity and reliability to the Navajo Project.

The Interconnection Customer's cost for the required Network Upgrades and Transmission System Interconnection Facilities will be \$7.1 million, as identified in Appendix A of the attached Navajo LGIA. Ownership of the Network Upgrades will be shared by owning Participants based on their current ownership interest in the 500 kV Switchyard which, for the LADWP is 21.2 percent, involving

approximately \$560,000 in ongoing annual expenditures for operation, maintenance and capital improvements. The approval of the proposed Navajo LGIA is not projected to impact LADWP's existing annual costs at the Switchyard.

As a joint owner of the Navajo Project, the City of Los Angeles, acting by and through LADWP, is required to execute the Navajo LGIA as do all other Navajo Participants. Inasmuch as the Federal Energy Regulatory Commission (FERC) does not have jurisdiction over LADWP, FERC acceptance of the Agreement is not applicable or required.

Alternatives Considered – There are currently no alternatives to the Navajo LGIA. The Interconnection Customer will not be able to physically interconnect to the Navajo 500 kV Switchyard without an executed Navajo LGIA.

CITY COMPLIANCE

California Environmental Quality Act (CEQA) – The LADWP has determined, subject to Board approval, that the item is exempt from CEQA pursuant to Guidelines 15277. In accordance with Guidelines 15277, CEQA does not apply to any project or portion thereof located outside of California which will be subject to environmental impact review pursuant to the National Environmental Policy Act of 1969 (NEPA) 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 NEPA. 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.

The City Attorney has approved the Navajo LGIA as to form. In accordance with Charter Section 674, the Navajo Q255 LGIA requires City Council approval because power transmission contracts are subject to approval by ordinance. This Office has reviewed the request and recommends approval.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The LADWP has a 21.2 percent ownership interest in the Navajo 500 kV Switchyard and currently pays annual operating, maintenance and capital improvement costs of \$560,000 for the Switchyard based on that ownership percentage. The approval of the proposed Navajo LGIA does not impact the Department's Switchyard ownership percentage or annual operating costs and will therefore have no impact on the Power Revenue Fund. The proposed recommendations comply with LADWP Financial Policies.

MWS:PJH:JVW:IR:JFH:10250046

Attachments – LADWP June 14, 2024 Report; Board Correspondence, Resolution, Interconnection Agreement, and Ordinance



BUILDING A STRONGER L.A.

Karen Bass, Mayor

Board of Commissioners

Richard Katz, President

George S. McGraw, Vice President

Nurit D. Katz

Mia Lehrer

Wilma J. Pinder

Chante L. Mitchell, Secretary

Janisse Quiñones, Chief Executive Officer and Chief Engineer

June 14, 2024

The Honorable Karen Bass
Mayor, City of Los Angeles
Room 303, City Hall
Mail Stop 370

Attention: Ms. Heleen Ramirez, Legislative Coordinator

Dear Mayor Bass:

Subject: Large Generator Interconnection Agreement Between 302PN 8me, LLC and the City of Los Angeles, acting by and through the Department of Water and Power (LADWP), a municipal corporation of the State of California; the United States of America acting through the Secretary of the Interior, Bureau of Reclamation; Arizona Public Service Company (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; and Tucson Electric Power Company, formerly known as Tucson Gas and Electric Company, an Arizona corporation are Navajo Participants in the Navajo Project for Q255 Generator Interconnection Project (Contract No. 54483, DWP No. BP 23-011)


In accordance with Executive Directive No. 4, enclosed is a copy of a Board letter and supporting documents recommending approval and transmittal to Los Angeles City Council of a Large Generator Interconnection Agreement Between 302PN 8me, LLC and the City of Los Angeles, acting by and through the Department of Water and Power (LADWP), a municipal corporation of the State of California; the United States of America acting through the Secretary of the Interior, Bureau of Reclamation; Arizona Public Service Company (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; and Tucson Electric Power Company, formerly known as Tucson Gas and Electric Company, an Arizona corporation are Navajo Participants in the Navajo Project for Q255 Generator Interconnection Project (Contract No. 54483, DWP No. BP 23-011).

The Honorable Karen Bass
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June 14, 2024

It is respectfully requested that your office complete its review as soon as possible. Once the required City Administrative Officer report has been received, the matter will be scheduled for action by the Los Angeles Board of Water and Power Commissioners and forwarded to the Los Angeles City Council for final consideration.

Please contact Mr. Paul Habib, Interim Director of Legislative and Intergovernmental Affairs, at (213) 367-3846 upon completion of the review, if the review will take longer than 30 days, or if there are any questions regarding this item.

Sincerely,

A handwritten signature in dark ink, appearing to read "Janisse Quiñones", written in a cursive style.

Janisse Quiñones
Chief Executive Officer and Chief Engineer

RQ:ab

Enclosure

c/enc: Mr. Luis Gutierrez, Office of the Mayor
Dr. Frederick H. Pickel, Office of Public Accountability
Board of Water and Power Commissioners
Mr. Paul Habib