


0150-10153-0001

TRANSMITTAL

TO Martin L. Adams, General Manager Department of Water and Power	DATE 05/27/2022	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT All	

**SOUTH SWP HYDROPOWER FEDERAL ENERGY REGULATORY COMMISSION PROJECT
COST SHARING AGREEMENT BETWEEN THE LOS ANGELES DEPARTMENT OF WATER
AND POWER AND THE CALIFORNIA DEPARTMENT OF
WATER RESOURCES AS CO-LICENSEES**

Approved and transmitted for further processing including Council consideration.
See the City Administrative Officer report attached.


MAYOR
(Andre Herndon for)

MWS:IR:10220050

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: May 24, 2022

CAO File No.: 0150-10153-0001

Council File No.:

Council District:

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Communication from the Department of Water and Power dated September 8, 2021; referred by the Mayor for report on October 18, 2021

Subject: **SOUTH SWP HYDROPOWER FEDERAL ENERGY REGULATORY COMMISSION PROJECT COST SHARING AGREEMENT BETWEEN THE LOS ANGELES DEPARTMENT OF WATER AND POWER AND THE CALIFORNIA DEPARTMENT OF WATER RESOURCES AS CO-LICENSEES (DWP Agreement No. BP-21-001)**

RECOMMENDATION

That the Mayor:

1. Approve the proposed Resolution and Ordinance authorizing a Cost Sharing Agreement to continue, the operations and management of the South State Water Project (SWP), which includes the Castaic Power Plant for a term of up to fifty years between the Los Angeles Department of Water and Power (LADWP) and the California Department of Water Resources (DWR) as Co-licensees for the Project;
 - a) Authorize the payment of LADWP's annual Federal Energy Regulatory Commission (FERC) license charges for the Castaic Power Plant, and up to \$43,138,800 in expenditures for LADWP's portion for the implementation of new protection, mitigation, and enhancement (PM&E) measures for the Project;
 - b) Delegate limited authority to the Board of Water and Power Commissioners (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;
2. 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; and,
3. Return the proposed Resolution and Ordinance to the Department for further processing, including Council consideration, and approval by a two thirds vote pursuant to Charter Section 674 (a) and 607 (a).

SUMMARY

The Los Angeles Department of Water and Power (LADWP) requests approval of the proposed Resolution and Ordinance, authorizing the South SWP Hydropower FERC Project Cost Sharing Agreement between the LADWP and the California DWR as Co-licensees for the Project, which includes the Castaic Power Plant (CPP). Under the Federal Power Act, hydroelectric projects are regulated by FERC and are issued a license to operate and manage resources associated with the Project. On March 22, 1978, FERC issued a license to the LADWP and the DWR as Co-licensees to operate the SWP. This current license expired on January 31, 2022. The Co-licensees submitted an application to FERC to renew the current license and continue operations for the CPP and other parts of the hydropower project for a maximum term of fifty years. The relicensing process commenced in 2010 and included extensive planning and collaboration with federal and state agencies and stakeholders from various groups. Out of this process a series of PM&E measures are recommended to offset the impacts of operating the hydropower project, if and when the FERC issues the new license.

Approval of the proposed Resolution, and accompanying Ordinance, specifically authorizes the Department to (1) execute the Cost Sharing Agreement between the LADWP and DWR as Co-licensees, and authorizes the annual expenditure associated with the CPP's FERC license charges; (2) authorizes up to \$43,138,800 as LADWP's portion of the Cost Sharing Agreement for the implementation of PM&E measures; (3) provides limited delegation authority to the Board of Water and Power Commissioners to act on and approve all future amendments without further approval by the City Council, provided that such amendments do not increase the cost.

City Council approval by ordinance is required under Charter Section 674 (a) and 607 (a), which authorizes the Board to enter into any contract for the construction, ownership, operation, and maintenance of facilities for the generation, transformation, and transmission of electric energy, and a maximum term up to 50 years for LADWP. The City Attorney has approved the proposed Resolution and Ordinance as to form and legality.

BACKGROUND

The CPP is the largest pumped storage hydroelectric plant in the western United States and serves as LADWP's critical reserve capacity and prime energy storage facility for storing excess renewable energy. The CPP uses excess renewable energy during the day to pump the water from the lower reservoir and releases the stored water in the reverse direction to generate peak load power during evening hours. LADWP owns and operates the CPP and is managed as the Castaic Power Development by LADWP and DWR.

The current FERC License expired on January 31, 2022, and the Co-licenses submitted an application to renew the current license and extend the term for a maximum of 50 years. As part of the relicensing process which started in 2010, proposed measures and activities have been identified to protect, mitigate and enhance environmental resources as outlined in the Department's report to offset the impact of the Project.

Proposed Agreement

The proposed Cost Sharing Agreement between LADWP and the DWR as Co-licensees authorizes the annual payment of LADWP's FERC license charges for the Castaic Power Plant; and proposes to split the cost equally towards implementation of the new PM&E and Conditioning Agency requirements identified as part of the FERC application submittal. The annual FERC license charges are based on generating capacity of the CPP. LADWP reports the 2021-22 license charges are estimated at \$1,507,958, and the budgeted amount for 2022-23 is \$2,748,100. Lastly, the cost of sharing the newly imposed PM&E costs is estimated at a total amount of \$86,277,600. LADWP's anticipated portion is up to \$43,138,800 over the term of the agreement, and includes a twenty percent contingency amount of \$7,189,800. Should the actual implementation cost exceed the "Not-to-Exceed" authorized amount, the approval by both the Board of Water and Power Commissioners and City Council will be required.

Governance

LADWP and DWR applied as Co-licensees, to operate the South SWP, which consists of the Warne Power Development and the Castaic Power Development. The Warne Power Development is exclusively managed, operated and maintained by DWR, and the Castaic Power Development is managed by both LADWP and DWR. LADWP manages the operation and maintenance of the CPP, located within the Castaic Power Development.

The report submitted on September 8, 2021 to the Mayor's Office included a request to provide full delegation authority to the Board to act on and approve all future amendments to the Cost Sharing Agreement. LADWP has since revised this request to limited delegation authority, provided that such amendments do not increase the cost of the agreement. A revised Resolution and Ordinance have been included in this package.

City Council approval by Ordinance is required pursuant to Charter Section 674 (a) to grant power to the Board to let a contract for the construction, ownership, operation, and maintenance of facilities for the generation, transformation, and transmission of electrical energy, and Charter Section 607 (a) for a maximum term up to 50 years for LADWP. There is no time limit on this action due to the Ordinance approval requirement.

FISCAL IMPACT STATEMENT

Approval of the proposed Cost Sharing Agreement will authorize on-going annual FERC license charges, and up to \$43.13 million in additional new costs for implementation of the PM&E measures identified. Approximately, \$2,748,100 in funding is budgeted in the 2022-23 Power Revenue Fund Proposed Budget for the license charges and additional funding will be provided in subsequent budgets for the PM&E measures. Approval of the proposed Resolution and Ordinance will have no impact on the City's General Fund. The proposed request complies with the LADWPs adopted Financial Policies.