

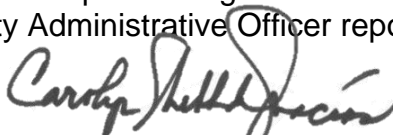
0150-12722-0000

T R A N S M I T T A L

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 Q196 LARGE GENERATOR INTERCONNECTION AGREEMENT – CONTRACT NO. 54483/DWP NO. BP 23-011 BETWEEN THE LOS ANGELES DEPARTMENT OF WATER AND POWER, NEXTERA ENERGY RESOURCES INTERCONNECTION HOLDINGS, 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

(Carolyn Webb de Macias for)

Attachment
MWS:PJH:JVW:IR:JFH:10250047t

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: September 16, 2024

CAO File No.: 0150-12722-0000

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 Q196 LARGE GENERATOR INTERCONNECTION AGREEMENT – CONTRACT NO. 55889/DWP NO. BP 23-008 BETWEEN THE LOS ANGELES DEPARTMENT OF WATER AND POWER, NEXTERA ENERGY RESOURCES INTERCONNECTION HOLDINGS, 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) Resolution and Ordinance authorizing the execution of the Navajo Q196 Large Generator Interconnection Agreement – Contract No. 55889/DWP No. 23-008 between, LADWP, Nextera Energy Resources Interconnection Holdings, 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 Department 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; and
3. Return the proposed Resolution and Ordinance to LADWP for further processing, including Council consideration.

SUMMARY

The Los Angeles Department of Water and Power requests authority to execute the Navajo Q196 Large Generator Interconnection Agreement – Contract No. 55889/DWP No. 23-0108(Navajo LGIA) by Ordinance. The Interconnection Agreement is between (1) Nextera Energy Resources

Interconnection Holdings, 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 Cedar Mountain-Moenkopi 500 kV Line 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 161-megawatt (MW) hybrid system, combining 101 MW of wind production and 60 MW of solar production, known as the Large Generator Interconnection Project Q196 (Q196 Project) with the Cedar Mountain-Moenkopi 500 kV Line. 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.

Although the LADWP has no ownership share in the Cedar Mountain-Moenkopi 500 kV Line, the City of Los Angeles, acting by and through LADWP, as one of the co-owners of the Navajo Project is obligated to approve any interconnection of power generation facilities and 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. 55889/DWP No. BP 23-008. The Navajo LGIA is between the Interconnection Customer and the Navajo Participants, including the LADWP. The Navajo LGIA Agreement, 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 Q196 Project. Some significant Agreement requirements and terms are discussed below as detailed in the Agreement attached to this report.

Parties and Participants to 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 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

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 161-megawatt (MW) hybrid system, combining 101 MW of wind production and 60 MW of solar production facilities, known as the Q196 Project, to the Cedar Mountain-Moenkopi 500 kV Line, a component of the STS and 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) termination pursuant to Article 5.16 concerning suspension of work, (c) termination of the Agreement pursuant to Article 20 concerning default, (d) termination of the Agreement upon agreement of all parties to terminate, 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 Q196 Project interconnection to the Cedar Mountain-Moenkopi 500 kV Line provide that no more than 161 MW will be delivered to the Point of Interconnection at one any time, ownership of Network Upgrades will be split between owning participants based on their ownership interest in the Cedar Mountain-Moenkopi 500 kV Line, Stand-Alone Network Upgrades consisting of a new fiber line between the Cedar Mountain Substation and the project site will be built by the Interconnection Customer to Operating Agent standards, and the Interconnection Customer is responsible for actual costs incurred applicable to the maintenance, repair, and replacement of all equipment between the Point of Interconnection and the change of ownership location. 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. In the event the Commercial Operation date is not achieved within the timeframe specified by the Operating Agent, the interconnection request will be deemed withdrawn and the Agreement terminated.

The proposed interconnection with the Cedar Mountain-Moenkopi 500 kV Line will take place on land owned by the Navajo tribes, near Valle, Arizona, approximately 465 miles from Los Angeles where a new 500 kV switchyard will be built. 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 of the Navajo Project.

The cost for the Interconnection Customer's required Interconnection Facilities as well as Transmission Systems Interconnection Facilities will be \$25.5 million and will be paid by the Interconnection Customer, as identified in Appendix A of the attached Navajo LGIA. The Department has no ownership share in the Cedar Mountain-Moenkopi 500 kV Line and does not anticipate any financial impact from the execution of the Navajo LGIA.

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 the LADWP, FERC acceptance of the Agreement is not applicable or required.

Alternatives Considered – There are currently no alternatives to the Navajo LGIA. Without the proposed executed Navajo LGIA, the Interconnection Customer will not be able to physically interconnect to the Cedar Mountain-Moenkopi 500 kV Line.

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 LGIA requires City Council approval for power transmission contracts, which are subject to approval by ordinance. This Office has reviewed the request and recommends approval.

FISCAL IMPACT STATEMENT

Although the LADWP is a joint owner of the Navajo Project, the Department has no ownership interest in the Cedar Mountain-Moenkopi 500 kV Line where the interconnection with the Q196 Project will occur. The Department therefore does not anticipate any financial impact as a result of the execution of the proposed Navajo LGIA. The proposed recommendations comply with LADWP Financial Policies. There is no impact on the General Fund.

MWS:PJH:JVW:IR:JFH:10250047

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

WHEREAS, 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; and

WHEREAS, pursuant to the terms and conditions of the Amended and Restated Navajo Co-Tenancy Agreement, DWP No. BP 19-006 (Navajo CTA), as it may be amended from time to time, the Navajo Participants are joint owners in the Navajo Project, consisting of the Navajo Southern Transmission System (STS), and the Navajo Western Transmission System; and

WHEREAS, Nextera Energy Resources Interconnection Holdings, LLC, a Delaware limited liability company, herein referred to as Interconnection Customer, submitted an interconnection request to APS, the Operating Agent of STS, to physically interconnect a 161 megawatt (MW) hybrid wind and solar photovoltaic generating facility with a combination of 101 MW of wind production and 60 MW of solar production to the Cedar Mountain-Moenkopi 500 kiloVolt Line which is a component of the STS (Interconnection Project); and

WHEREAS, the Interconnection Project is not expected to have a negative financial impact on the LADWP; and

WHEREAS, the execution of the Large Generator Interconnection Agreement between the Interconnection Customer and the Navajo Participants for Q196, (Contract No. 55889, DWP No. 23-008, (Navajo LGIA) is required for the Interconnection Project; and

WHEREAS, the Navajo LGIA establishes the costs, terms, and conditions for the construction, operation, and maintenance of the facilities needed for the Interconnection Customer to physically interconnect the Interconnection Project to the Navajo Project; and

WHEREAS, the Navajo LGIA shall remain in effect unless the first of the following events occur: (i) the termination of the Navajo CTA or any replacement agreement thereof; (ii) termination pursuant to Article 5.16 therein; (iii) termination pursuant to Article 20 therein; (iv) written agreement of all parties to terminate; or (v) upon no less than ninety 90 calendar days advance written notice of termination from the Interconnection Customer to the Operating Agent.

NOW, THEREFORE, BE IT RESOLVED that the Navajo LGIA a copy of which is on file with the Secretary of the Board of Water and Power Commissioners (Board) and approved as to form and legality by the City Attorney, be and the same is hereby approved.

BE IT FURTHER RESOLVED that the Board requests that the Los Angeles City Council (City Council) approve, by ordinance, the Navajo LGIA, and authorize the Board to act on and approve all future amendments of said agreement, without further approval by the City Council.

BE IT FURTHER RESOLVED that the President or Vice President of the Board, or the General Manager, or such person as the General Manager shall designate in writing, and the Secretary, Assistant Secretary, or the Acting Secretary of the Board be and they are hereby authorized and directed to execute said Navajo LGIA for and on behalf of the LADWP upon approval of said agreement by the City Council, by ordinance, pursuant to Section 674 of the Charter of the City of Los Angeles.

I HEREBY CERTIFY that the foregoing is a full, true, and correct copy of a resolution adopted by the Board of Water and Power Commissioners of the City of Los Angeles at its meeting held

Secretary