

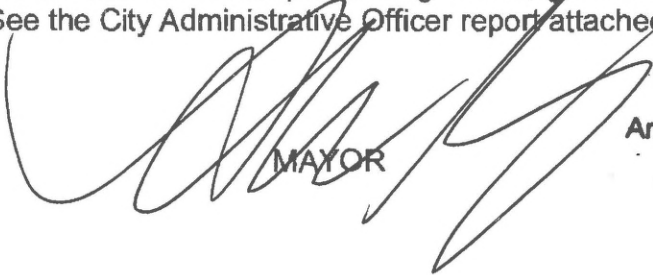
TRANSMITTAL

0150-11379-0000

TO Martin L. Adams, General Manager	DATE AUG 30 2019	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT All	

**FIRST AMENDMENT (CONTRACT NO. 10078) TO THE CITY - EDISON PACIFIC INTERTIE
DIRECT CURRENT TRANSMISSION FACILITIES AGREEMENT BETWEEN
THE LOS ANGELES DEPARTMENT OF WATER AND POWER
AND SOUTHERN CALIFORNIA EDISON COMPANY**

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


MAYOR Ana Guerrero

RHL:IR:10200012

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: August 30, 2019

CAO File No. 0150-11379-0000

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 May 23, 2019, Referred by Mayor's Office June 4, 2019.

Subject: **FIRST AMENDMENT (CONTRACT NO. 10078) TO THE CITY- EDISON PACIFIC INTERTIE DIRECT CURRENT TRANSMISSION FACILITIES AGREEMENT BETWEEN THE LOS ANGELES DEPARTMENT OF WATER AND POWER AND THE SOUTHERN CALIFORNIA EDISON COMPANY**

RECOMMENDATION

That the Mayor:

1. Approve the proposed Resolution and Ordinance authorizing the execution of a First Amendment to the Southern California Edison Company Agreement for Operations and Maintenance (O&M) relative to Sylmar Converter Station staffing levels;
 - a. Authorize the amended and restated Agreement to increase the maximum number of O&M personnel assigned from eleven (11) to eighteen (18) in accordance with the terms and conditions of the Amendment;
 - b. 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; and,
 - c. 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 amend the current Pacific Direct Current Intertie (PDCI) Agreement (Amended and Restated PDCI Agreement)

between the Southern California Edison Company and LADWP to increase the maximum number of Operations and Maintenance (O&M) personnel at Sylmar Converter Station from eleven to eighteen to provide a dedicated maintenance crew as the facility improvements are complete. The PDCI transmits electricity from the Pacific Northwest to the Los Angeles area. The level of staffing will be re-evaluated in three years from the effective date of the First Amendment and will be automatically reduced to sixteen, unless mutually agreed upon by both parties that the level of staffing remain at eighteen.

The City Council approval is required pursuant to 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 Pacific Direct Current Intertie is an electric power transmission line which transmits electricity from the Pacific Northwest to the Los Angeles area using high voltage direct current. The PDCI was built jointly by the Bonneville Power Administration (BPA), LADWP, Southern California Edison, and the Cities of Glendale, Burbank, and Pasadena with all the costs shared between the owners in accordance with the ownership shares. The ownership shares are as follows: SCE (50%, LADWP (40%), Burbank (3.85%), Glendale (3.85%), and Pasadena (2.3%). The PDCI transmission system connects the Celilo Converter Station (CS) located in Dalles, Oregon, and the Sylmar CS located in Sylmar, California, via a 500 kilovolt (kV) transmission line. The PDCI Facilities Agreement was executed in March 31, 1966 between the LADWP and Edison for a 75 year term.

Prior and Proposed Amendments to Staffing Levels

On August 22, 2012, the Parties amended and restated the original Agreement, adding Article 9, Section (e) which limited the number of O&M personnel at the Sylmar CS to a maximum of eleven personnel once the Sylmar CS Replacement Project was determined to be in service. At this time, the LADWP reports that the Sylmar CS Replacement Project is now in service thus requiring dedicated maintenance crews to ensure that on-going maintenance activities are performed. Currently Sylmar has a dedicated operations crew of eleven and does not have a dedicated maintenance crew. The LADWP estimates that seven maintenance personnel are required for a total cost of \$975,400 annually including overhead costs.

The proposed Amendment modifies the current staffing authority and increases it up to eighteen O&M personnel. Furthermore, in approximately three years from the effective date of this Amendment, the number of personnel required will be re-evaluated and if appropriate shall be reduced to sixteen unless mutually agreed upon by both Parties to continue at eighteen. The new maintenance personnel will provide full-time maintenance, and work to prevent PDCI outages with routine maintenance caused by equipment failures. Should the number of personnel be reduced in the future, the personnel can be reassigned to another CS.

Governance

The Department's original 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 amended and restated City-Edison Pacific Intertie Direct Current Transmission Facilities 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 O&M of the PDCI Facilities. Annual funding for the LADWP's cost will be provided accordingly to support this purpose. The proposed action complies with the LADWP Financial Policies in that funding is available for this purpose

RHL:IR:10200012

Attachments



CUSTOMERS FIRST

May 23, 2019

Eric Garcetti, Mayor

Board of Commissioners
Mel Levine, President
Cynthia McClain-Hill, Vice President
Jill Banks Barad
Christina E. Noonan
Aura Vasquez
Barbara E. Moschos, Secretary
David H. Wright, General Manager

The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall
Mail Stop 370

Attention: Ms. Heleen Ramirez, Legislative Coordinator

Dear Mayor Garcetti:

Subject: Amendment No. 1 to the Amended and Restated City-Edison Pacific Intertie
Direct Current Transmission Facilities Agreement DWP No. 10078

In accordance with Executive Directive No. 4, enclosed is a copy of a Board letter and supporting documents recommending approval and transmittal to the Los Angeles City Council of Amendment No. 1 to Agreement No. 10078 between the Los Angeles Department of Water and Power and the Southern California Edison Company.

It is respectfully requested that your review be completed 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 Ms. Winifred J. Yancy, Director of Legislative and Intergovernmental Affairs, at (213) 367-0025 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 black ink, appearing to read 'David H. Wright', is written over the word 'Sincerely,'.

David H. Wright
General Manager

DN:ls

Enclosure

c/enc: Ms. Liz Crosson, Office of the Mayor
Dr. Frederick H. Pickel, Office of Public Accountability
Board of Water and Power Commissioners
Ms. Winifred J. Yancy



Los Angeles
Department of
Water & Power

RESOLUTION NO. _____

BOARD LETTER APPROVAL

REIKO A. KERR
Senior Assistant General Manager – Power System
Engineering, Planning, and Technical Services

MARTIN L. ADAMS
Chief Operating Officer

DAVID H. WRIGHT
General Manager

DATE:

SUBJECT: Amendment No. 1 to the Amended and Restated City-Edison Pacific Intertie Direct Current Transmission Facilities Agreement DWP No. 10078

SUMMARY

Amendment No. 1 to the Amended and Restated City-Edison Pacific Direct Current Intertie (PDCI) Agreement DWP No. 10078 (Amendment No. 1) will increase the maximum number of Operation and Maintenance (O&M) personnel at Sylmar Converter Station from 11 to 18, and after three years from the effective date of Amendment No. 1, the maximum number of O&M personnel shall be reduced to 16, unless mutually agreed upon by both Los Angeles Department of Water and Power (LADWP) and Southern California Edison (SCE) to continue with 18 O&M personnel.

City Council approval by Ordinance is required pursuant to the City of Los Angeles Charter Section 674.

RECOMMENDATION

It is recommended that your Honorable Board of Water and Power Commissioners (Board) adopt the attached Resolution recommending City Council's approval by Ordinance: 1) execution of Amendment No. 1; and 2) delegation to the Board authority to act on and approve all future amendments to the Amended and Restated City-Edison PDCI Transmission Facilities Agreement, DWP No. 10078 (Amended and Restated PDCI Agreement), as amended.

ALTERNATIVES CONSIDERED

No alternatives considered or necessary.

Sylmar Converter Station (Sylmar CS) has not had a dedicated maintenance staff for the last 15 years. A full-time maintenance staff will prevent PDCI outages by performing all the required routine maintenance and shorten PDCI outages caused by equipment failures at Sylmar CS.

FINANCIAL INFORMATION

Due to lack of assigned maintenance personnel at the Sylmar CS, much of the scheduled maintenance work at the station is being deferred. Therefore, Sylmar's 2018 O&M budget, \$800,000, was lower than average. Once Amendment No. 1 is effective, LADWP will have seven full-time employees dedicated to maintaining the Sylmar CS. This will cost approximately \$1.76 million annually. After the initial three years, the parties can mutually agree to reduce the full-time staff to five employees. This will cost approximately \$1.24 million annually. All costs will be shared by the Southern Owners, consisting of the Cities of Glendale, Burbank, Pasadena, and SCE, in accordance with the ownership shares of the project.

BACKGROUND

The PDCI is a 500-kilovolt (kV) DC transmission system that includes the Celilo Converter Station (Celilo CS) located in the Dalles, Oregon, the Sylmar CS located in Sylmar, California, and the DC transmission line that connects Celilo CS and Sylmar CS. The PDCI was built jointly by Bonneville Power Administration (BPA) and the Southern Owners as a single high voltage DC system to connect the Pacific Northwest with Southern California and deliver electric power to LADWP's native load customers as well as the Southern Owner's customers. BPA owns, operates and maintains the Celilo CS and DC transmission line from Celilo to the Nevada – Oregon Border (NOB), i.e., the Northern Portion. LADWP operates and maintains the Sylmar CS and the DC transmission line from NOB to Sylmar, i.e. the Southern Portion on behalf of the Southern Owners. The Northern and Southern Portion of the PDCI have been physically connected at NOB and in operation since May 21, 1970.

Of all the Southern Owners, SCE has the largest ownership share of 50 percent. As the operating agent, LADWP has a separate transmission facilities agreement with each respective Southern Owner.

On March 31, 1966, LADWP and SCE (both as "Parties") executed the City-Edison PDCI Transmission Facilities Agreement, DWP No. 10078 (Agreement), governing their relationship with respect to the PDCI. On August 22, 2012, the Parties amended and restated said Agreement, adding in Article 9, Section 5(e) which limited the number of O&M personnel at Sylmar Converter Station to 11 once the Sylmar Converter Station Replacement Project is determined to be in service.

Amendment No. 1 will allow the number of O&M personnel at the Sylmar CS to increase to 18. LADWP has deemed this increase necessary because the Sylmar CS is a critical component of the LA System and having a dedicated maintenance staff will prevent or shorten PDCI outages. The station has a capacity of 3,100 megawatts, which can serve as many as three million households. Failure of one or more of the key components may interrupt the flow of power, which will severely impact the operation of LADWP's grid.

Sylmar CS has had to deal with loss of function control, lack of support due to competing priorities, and loss of day-to-day preventative maintenance activities due to the lack of a dedicated staff with knowledge about the facility. With the Alternating Current (AC) and DC Filter Bank Replacement and Control and Protection System Upgrade, this is the prime time for new staff to be brought on to learn about the new technology. In the future, the trained staff can be utilized at other DC converter stations like Adelanto Converter Station and assist the maintenance crew at other extra high voltage stations on a part-time, temporary, or emergency basis.

City Administrative Officer (CAO) Report

The approved CAO report dated _____ is attached.

ENVIRONMENTAL DETERMINATION

Determine item is exempt pursuant to California Environmental Quality Act (CEQA) Guidelines Section 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 15378 (b)(2) states that continuing administrative or maintenance activities, such as an amendment of an existing contract does not meet that definition. Therefore, this Amendment No. 1 to increase the number of O&M personnel at the Sylmar Converter Station is not an action subject to CEQA.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved Amendment No. 1 and Resolution as to form and legality.

ATTACHMENTS

- Resolution
- Amendment No. 1 of the Amended and Restated City-Edison Pacific Intertie DC Transmission Facilities Agreement
- Draft Ordinance
- CAO Report

AMENDMENT NO. 1

TO THE

AMENDED AND RESTATED CITY-EDISON

PACIFIC INTERTIE D-C TRANSMISSION FACILITIES AGREEMENT

BETWEEN

SOUTHERN CALIFORNIA EDISON COMPANY

AND

THE DEPARTMENT OF WATER AND POWER

OF THE CITY OF LOS ANGELES

October 31, 2018

DWP NO. 10078

AMENDMENT NO. 1
TO THE
AMENDED AND RESTATED CITY-EDISON
PACIFIC INTERTIE D-C TRANSMISSION FACILITIES AGREEMENT

1. **PARTIES:** The Parties to this Amendment No. 1 to the Amended and Restated City-Edison Pacific Intertie D-C Transmission Facilities Agreement are the City of Los Angeles, by and through the Department of Water and Power, a department organized under the Charter of the City of Los Angeles, a municipal corporation of the State of California ("LADWP") and the Southern California Edison Company, a California corporation ("SCE") sometimes referred to herein as "Party" or "Parties."

2. **RECITALS:** This Amendment No. 1 is made with reference to the following facts among others:
 - 2.1 The Parties executed the original City-Edison Pacific Intertie D-C Transmission Facilities Agreement (DC Line Agreement) on March 31, 1966. The DC Line Agreement sets forth the terms and conditions pursuant to which LADWP and SCE jointly own the PDCI and LADWP operates and maintains the PDCI. Among other things, the DC Line Agreement provides the terms and conditions under which LADWP bills SCE and SCE pays for LADWP's operation and maintenance of SCE's interest in the PDCI.

 - 2.2 On September 22, 2012, the Parties amended and restated the DC Line Agreement to incorporate the Amendment 1 and 2 to the DC Line Agreement and renamed it, the Amended and Restated City-Edison Pacific Intertie DC Transmission Facilities Agreement.

 - 2.3 This Amendment No. 1 is not intended to affect the interpretation of or modify any other Article or Section of the Amended and Restated City-Edison Pacific Intertie DC Transmission Facilities Agreement (Agreement). Nothing in this Amendment No. 1 is intended to impact any other matters between the Parties with respect to this Agreement.

3. **AGREEMENT:** In consideration of the covenants and conditions set forth herein the Parties agree as follows:
4. **DEFINITIONS:** The following terms when used herein with initial capitalization, whether in the singular or the plural, shall have the meanings set forth below:
 - 4.1 **Amended and Restated City-Edison Pacific Intertie DC Transmission Facilities Agreement:** The agreement that conforms the DC Line Agreement through Amendment No. 2 attached hereto and incorporated herein by this reference as Appendix 2.
 - 4.2 **Amendment No. 1:** This Amendment No. 1 to the Amended and Restated City-Edison Pacific Intertie DC Transmission Facilities Agreement, which represents the Parties written agreement to amend the Amended and Restated City-Edison Pacific Intertie DC Transmission Facilities Agreement.
 - 4.3 **FERC:** The Federal Energy Regulatory Commission or its successor.
 - 4.4 **DC Line Agreement:** The City-Edison Pacific Intertie D-C Transmission Facilities Agreement between LADWP and SCE, LADWP Contract Number 10078 and SCE FERC Rate Schedule Number 303 that was amended and restated on September 22, 2012, and renamed Amended and Restated City-Edison Pacific Intertie DC Transmission Facilities Agreement.
 - 4.5 **PDCI:** The Pacific Intertie DC Transmission Line as defined in the DC Line Agreement.
5. **TERM:** The term of this Amendment No. 1 shall be coterminous with the Amended and Restated City-Edison Pacific Intertie DC Transmission Facilities Agreement.
6. **AGREEMENT MODIFICATIONS:** Unless otherwise stated, the following amendment to the Amended and Restated City-Edison Pacific Intertie DC Transmission Facilities Agreement shall be deemed to be effective in accordance with Section 8 of this Amendment No. 1 ("Effective Date"):
 - 6.1 Article 9 Section 5 (e) of the Amended and Restated City-Edison Pacific Intertie DC Transmission Facilities Agreement currently reads:

The portion of the annual D-C Facilities O&M budget that pertains to the Sylmar Converter Station, as described in Article 3 of the DC Line Agreement, will include all costs, including but not limited to base salary and overhead mark-ups for not more than eleven (11) O&M personnel once the Sylmar Converter Station Replacement Project (Project) is determined to be in service as defined by having successfully passed all on-site testing and deemed to be commercially operable.

- 6.2 Article 9 Section 5 (e) of the Amended and Restated City-Edison Pacific Intertie DC Transmission Facilities Agreement is hereby amended by this Amendment No. 1 to read:

The portion of the annual D-C Facilities O&M budget that pertains to the Sylmar Converter Station, as described in Article 3 of the DC Line Agreement, will include all costs, including but not limited to base salary and overhead mark-ups for not more than eighteen (18) O&M personnel. The eighteen (18) O&M personnel shall be reduced to sixteen (16) O&M personnel after three (3) years from the effective date of this Amendment No.1 unless mutually agreed upon by both Parties to continue with eighteen (18) O&M personnel.

7. **ENTIRE AGREEMENT:** The Amended and Restated City-Edison Pacific Intertie DC Transmission Facilities Agreement incorporated by reference, and herein attached as Appendix 1, and this Amendment No. 1 represents the complete agreement of the Parties with respect to the subject matter thereof, and supersedes all prior agreements and understandings with respect to such subject matter.
8. **EFFECTIVE DATE:** This Amendment No. 1 shall become effective on the date that it is accepted for filing by FERC; provided, however, that, if upon filing, FERC enters into a hearing to determine whether this Amendment No. 1 is just and reasonable, it shall not become effective until the date when an order no longer subject to judicial review has been issued by FERC determining this Amendment No. 1 to be just and reasonable without changes or new conditions unacceptable to either Party.
9. **EXECUTION IN COUNTERPARTS:** This Amendment No.1 can be executed in any number of counterparts, each of which shall be an original and all of which when executed, shall constitute the same amendment.

SIGNATURE CLAUSE: The signatories hereto represent that they have been authorized to enter into this Amendment No. 1 to the Amended and

Restated City-Edison Pacific Intertie DC Transmission Facilities Agreement
on behalf of the Party for which they sign. Executed as of the ____ day of
____ 2019.

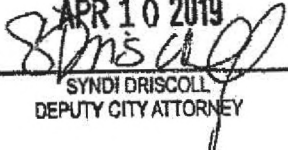
DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES BY
BOARD OF WATER AND POWER COMMISSIONERS

By: _____
DAVID H. WRIGHT
General Manager

Date: _____

And: _____
BARBARA E. MOSCHOS
Board Secretary

APPROVED AS TO FORM AND LEGALITY
MICHAEL N. FEUER, CITY ATTORNEY

APR 10 2019
BY: 
SYNDI DRISCOLL
DEPUTY CITY ATTORNEY

SOUTHERN CALIFORNIA EDISON COMPANY

By: 
Philip R. Herrington

Title SVP Transmission & Distribution

Date: 3/22/19

RESOLUTION NO. _____

WHEREAS, the Pacific Direct Current Intertie (PDCI) is a 500 kV (kilovolts) Direct Current (DC) transmission system that includes the Celilo Converter Station (Celilo CS) located in Dalles, Oregon, the Sylmar Converter Station (Sylmar CS) located in Sylmar, California, and the DC transmission line that connects Celilo CS and Sylmar CS;

WHEREAS, the PDCI was built jointly by the Bonneville Power Administration (BPA) and the Southern Owners as a single high voltage DC system to connect the Pacific Northwest with Southern California;

WHEREAS, the Southern Owners of the PDCI consists of the Los Angeles Department of Water and Power (LADWP), Southern California Edison (Edison), the City of Burbank, the City of Glendale and the City of Pasadena;

WHEREAS, the PDCI consist of the Northern Portion owned by BPA and the Southern Portion owned by the Southern Owners, with LADWP as the operating agent of the Southern Portion on behalf of the Southern Owners;

WHEREAS, on March 31, 1966, LADWP and Edison entered into the City-Edison PDCI Transmission Facilities Agreement, DWP No. 10078 (PDCI Agreement), which provided the terms and conditions for governing the parties' relationship with respect to the Southern Portion of the PDCI;

WHEREAS, on August 22, 2012, LADWP and Edison amended and restated the PDCI Agreement (Amended and Restated PDCI Agreement), adding Article 9, Section 5(e) to said agreement, limiting the number of Operation and Maintenance (O&M) personnel at the Sylmar CS to a maximum of eleven (11) once the Sylmar CS Replacement Project is determined to be in service;

WHEREAS, Sylmar CS Replacement Project is now in service, and LADWP has determined that the maximum number of O&M personnel should be increased to eighteen (18) in order to effectively operate and maintain it; and

WHEREAS, LADWP and Edison desire to amend the Amended and Restated PDCI Agreement, to increase the maximum number of O&M personnel at the Sylmar CS from eleven (11) to eighteen (18) in accordance with terms and conditions of the amendment (Amendment No. 1).

NOW, THEREFORE, BE IT RESOLVED that Amendment No 1 to the Amended and Restated PDCI Agreement, DWP Agreement No. 10078, a copy which is on file with the Secretary of the Board of Water and Power Commissioners (Board), approved as to form and legality by the City Attorney, be and the same is hereby approved.

BE IT FURTHER RESOLVED that in accordance to Section 674 of the Charter of the City of Los Angeles, the Board requests that the City Council approve by ordinance, said Amendment No. 1 to the Amended and Restated PDCI Agreement.

BE IT FURTHER RESOLVED that the Board requests that the City Council authorize the Board to act on and approve all future amendments to the Amended and Restated PDCI Agreement, as amended, without further approval by the City Council, provided that such amendments do not increase the cost or extend the term of the respective agreement.

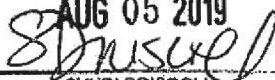
BE IT FURTHER RESOLVED that the President or Vice President of the Board of Water and Power Commissioners, or General Manager, or such person as the General Manager shall designate in writing, and the Secretary, Assistant Secretary, or the Acting Secretary of the Board are hereby authorized and directed to execute said Amendment No. 1 subject to approval by the City Council by ordinance pursuant to Section 674 of the Charter of the City of Los Angeles.

BE IT FURTHER RESOLVED that the Chief Accounting Employee, upon proper certification, is hereby authorized and directed to draw demands on the Power Revenue Fund in payment of the obligations arising from or related to the Amended and Restated PDCI Agreement, as amended.

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

Secretary

APPROVED AS TO FORM AND LEGALITY:
MICHAEL N. FEUER, CITY ATTORNEY

AUG 05 2019
BY 
SYNDI DRISCOLL
DEPUTY CITY ATTORNEY

DRAFT

ORDINANCE NO. _____

An ordinance approving Amendment No. 1 to the Amended and Restated City-Edison Pacific Direct Current Intertie Transmission Facilities Agreement, DWP No. 10078, by and between the City of Los Angeles, acting by and through the Department of Water and Power, and Southern California Edison, a California corporation; and delegating to the Board of Water and Power Commissioners limited authority to further amend said agreement.

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1. Amendment No. 1 to the Amended and Restated City-Edison Pacific Direct Current Intertie Transmission Facilities Agreement, DWP No. 10078, approved by the Board of Water and Power Commissioners by the adoption of Resolution No. XXX-XXX, that is on file with the City Clerk, is hereby approved.

Sec. 2. Pursuant to the Los Angeles City Charter Sections 101 and 674, the Board of Water and Power Commissioners is hereby authorized to act on and approve all future amendments to the Amended and Restated City-Edison Pacific Direct Current Intertie Transmission Facilities Agreement, DWP No. 10078, as amended, without further approval by the City Council, provided that such amendments do not increase the cost or extend the term of the said agreement.

Sec. 3. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

Approved as to Form and Legality

MICHAEL N. FEUER, City Attorney

By _____
SYNDI DRISCOLL
Deputy City Attorney

SD reviewed

Date _____

File No. _____

[Document file path]

The Clerk of the City of Los Angeles hereby certifies that the foregoing ordinance was passed by the Council of the City of Los Angeles.

CITY CLERK

MAYOR

Ordinance Passed _____

Approved _____

AMENDED AND RESTATED CITY-EDISON PACIFIC INTERTIE DC
TRANSMISSION FACILITIES AGREEMENT

BETWEEN

SOUTHERN CALIFORNIA EDISON COMPANY

AND

THE LOS ANGELES DEPARTMENT OF WATER AND POWER

Contract Effective Date:

Tariff Record Proposed Effective Date:

Version Number:

Option Code:

CITY-EDISON PACIFIC INTERTIE D-C TRANSMISSION FACILITIES AGREEMENT*

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CITY-EDISON PACIFIC INTERTIE DC TRANSMISSION FACILITIES AGREEMENT

Agreement executed as of March 31, 1966, by the DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES, a department organized and existing under the Charter of the City of Los Angeles, a municipal corporation of the State of California (herein called "City") and SOUTHERN CALIFORNIA EDISON COMPANY, a corporation organized and existing under the laws of the State of California (herein called "Edison").

Recitals

A. Bonneville Power Administration plans to construct terminal equipment at its Celilo Substation near The Dalles, Oregon, and a 750 kV d-c transmission line from Celilo Substation to the Oregon-Nevada border.

B. City plans to construct terminal equipment at Los Angeles, California, and a 750 kV d-c transmission line from Los Angeles to the Oregon-Nevada border where said line will connect with the Bonneville Power Administration 750 kV d-c line. City's d-c line and terminal equipment are more fully defined in Article 3 and as so defined referred to as the "D-C Transmission Facilities."

C. City has invited public and private entities in Arizona, California and Nevada to participate in the ownership of the D-C Transmission Facilities and Edison desires initially to own an

undivided one-half interest therein, which will entitle it to one-half of the capacity of such facilities.

D. City intends to make portions of the remaining undivided one-half interest in the D-C Transmission Facilities available to the cities of Burbank, Glendale and Pasadena, the only other entities which have expressed a desire to acquire ownership in such facilities.

E. City, Edison and each of the entities mentioned in Recital D, which acquires an undivided interest in the D-C Transmission Facilities, is herein referred to, individually, as a "Participant," and collectively as "Participants."

F. Edison and others plan to construct a 500 kV a-c transmission system, herein referred to as the "500 KV A-C Pacific Intertie Transmission Facilities," between John Day Dam in Oregon and Edison's Lugo Substation in Southern California.

Article 1 Term

(a) This agreement shall become effective on the date when the last of the following shall occur:

- (i) the Board of Water and Power Commissioners has executed this agreement;
- (ii) this agreement has been authorized or approved by ordinance of the City of Los Angeles; and
- (iii) Edison has executed this agreement.

(b) This agreement shall continue for 75 years after its effective date unless prior termination is mutually agreed to by City and Edison.

(c) If City elects to continue operation of the D-C Transmission Facilities after the expiration of the term of this agreement, Edison shall have the right to extend this agreement for all or any part of such period of continued operation.

(d) At the expiration of this agreement Edison shall receive from City one-half the net salvage value of the D-C Transmission Facilities if the salvage value exceeds the cost of removal, or pay to City one-half the net cost of removal if the salvage value is less than the cost of removal; provided that if the D-C Transmission Facilities are not removed at the expiration of this agreement, Edison shall receive from City one-half the value of said facilities. At the expiration of this agreement, Edison shall also receive from City its share of the net salvage value of additions and betterments to the D-C Transmission Facilities for which Edison has made payment in accordance with Articles 11 and 12 if the salvage value exceeds the cost of removal, or pay its share of the net cost of removal if the salvage value is less than the cost of removal; provided that if such additions and betterments are not removed at the expiration of this agreement, Edison shall receive from City its share of the value of such additions and betterments. Edison's share shall be the percentage of the cost of such additions and betterments paid by Edison.

Article 2 Advisory Committee

Within ten days after executing its Pacific Intertie D-C Transmission Facilities Agreement, each Participant shall appoint a representative to the Advisory Committee who shall act for the Participant. It shall be the duty of this committee to consult with and advise City with respect to the design, construction, and operation of the D-C Transmission Facilities and with respect to additions, betterments, and replacements for those facilities until the expiration of this agreement.

*Marat 31
1764
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(expire)*

Article 3 A-C And D-C Line Construction

(a) Edison, at no expense to City, shall construct and place in operation by April 1, 1968 two 500 kV a-c transmission circuits which will interconnect with the system of Pacific Gas and Electric Company at Midway Substation and extend to Edison's Vincent Substation in Southern California.

(b) City shall construct and place in operation by May 1, 1969, terminal facilities at Sylmar and a 750 kV d-c transmission line and necessary communication facilities which will interconnect with the Bonneville Power Administration 750 kV d-c transmission line and communication facilities at the Oregon-Nevada border and extend to Sylmar Converter Station in Los Angeles.

The terminal facilities at Sylmar Converter Station shall consist of a d-c/a-c converter including grounding line and electrode-converter transformers, harmonic filters including switching circuit breakers, power factor compensation capacitors including switching circuit breakers, a terminal control house, the necessary racks, controls, communication equipment, auxiliary equipment, lighting, and yard improvements; at Sylmar Switching Station the switching positions and circuit breakers connecting the terminal to the 230 kV buses in the interconnection switchrack, and a one-eighth portion of the relay house shall also be considered a part of the terminal facilities. Said 750 kV d-c line, communication facilities and the said terminal facilities, together with any replacement thereof, exclusive of land and land rights, are herein referred to as the "D-C Transmission Facilities." The D-C Transmission Facilities shall be designed to deliver not less than 1300 megawatts of electric power in either direction between the Oregon-Nevada border and the Sylmar Switching Station 60 cycle 230 kV a-c buses. The number of megawatts of power that transmission facilities are at the time physically capable of delivering in either direction, without relation to the power delivery over or the stability limitations of any other transmission systems, is herein referred to as the "Effective Transmission Capacity" of such facilities.

(c) City shall inform the Advisory Committee as to proposed methods, criteria and standards, expenditures, specifications and contracts for the design, acquisition and construction of the D-C Transmission Facilities and shall at all times keep the Advisory Committee informed as to developments relating to such matters.

City shall consult with the Advisory Committee with respect to the above, provided City shall not be bound by such advice but shall do all things and make all expenditures necessary for the design, acquisition and construction of the D-C Transmission Facilities.

(d) City and Edison shall each construct and place in operation by October 1, 1968, their portions of a 230 kV interconnection between their respective systems at Sylmar Switching Station.

Article 4 Ownership And Right To Use Of Capacity Of Facilities

(a) Edison shall own an undivided one-half interest in the D-C Transmission Facilities and shall be entitled to one-half the Effective Transmission Capacity of such facilities. Edison shall own an undivided interest in all additions and betterments to the D-C Transmission Facilities in the same proportion that Edison makes payment therefor in accordance with Articles 11 and 12 and shall be entitled to the same proportion of any increase in Effective Transmission Capacity resulting from said additions and betterments.

(b) City shall own the remaining interest in the D-C Transmission Facilities and additions and betterments thereto and shall be entitled to the Effective Transmission Capacity thereof.

(c) Edison agrees that except during emergencies or mutually planned outages of the 500 KV A-C Pacific Intertie Transmission Facilities, or a portion thereof, City shall have the right to fully utilize City's capacity entitlement.

(d) City agrees that if an emergency or mutually planned outage of the 500 KV A-C Pacific Intertie Transmission Facilities, or a portion thereof, makes it necessary, in accordance with standards to be agreed upon by the parties hereto, to reduce the maximum capacity to which the D-C Transmission Facilities and additions and betterments thereto can be loaded in order to avoid instability of the interconnected systems in the states of Arizona, California and Nevada, City will share any such reduction in available capacity equally with Edison.

(e) City hereby assigns to Edison an undivided one-half of City's, interest in Contract No. 8863 "High Voltage Direct Current Converter Station at Sylmar, California" and agrees to assign to

Edison an undivided one-half of City's interest in any other contracts hereafter entered into by City for acquisition and construction of the D-C Transmission Facilities.

Article 5 Construction Costs

(a) Edison shall pay to City one-half of all necessary costs (including direct, indirect and overhead costs) incurred by City for the acquisition and construction of the D-C Transmission Facilities.

These costs, herein referred to as "Construction Costs, shall include all "Components of Construction Cost" includible in electric plant accounts pursuant to Electric Plant Instruction 3, which constitutes a part of the Uniform System of Accounts (in effect on March 1, 1965) prescribed by the Federal Power Commission for public utilities and licensees (Class A and Class

B) herein referred to as "Uniform System of Accounts"; provided, however, that for the purposes of this agreement the provisions of said Electric Plant Instruction 3 shall be subordinate to and controlled by the following:

One

Charges pursuant to item (2) "Labor," for pay of employees shall be based upon City's applicable distribution rate schedule for monthly or daily rated employees fixed pursuant to City's accounting practice in effect at the time this agreement becomes effective.

Charges pursuant to item (2) "Labor, it shall not include any amount for workmen's compensation insurance or any amount provided or reserved as self-insurance of such liability.

Two

Charges pursuant to item (3) "Materials and supplies," for related stores expenses for materials and supplies delivered direct to job site or trans-shipped without warehousing shall be at estimated out-of-pocket cost to City.

Three

Charges pursuant to item (8) "Injuries and damages," shall include payments made by City to claimants as follows:

(i) Payments in satisfaction of judgments;

(ii) Payments made in compromise and settlement of claims with consent of Edison;

(iii) Payments made in compromise and settlement of claims without consent of Edison provided the total amount of such payments pursuant to this Subsection (iii) arising from any single occurrence shall not exceed \$50,000.

If City is reimbursed for any such payment by insurance under Article 18 (a) or (b) of this agreement, such reimbursement shall be credited to Construction Costs.

If Edison makes any payment in satisfaction of judgment, or in compromise and settlement of claims with consent of City, on account of injuries to persons or damages to the property of others, arising out of the acquisition or construction of the D-C Transmission Facilities, and is not reimbursed by insurance under Article 18(a) or (b) of this agreement, City shall immediately

reimburse Edison for the amount of such payment. Any reimbursement so made by City shall be charged as a Construction Cost.

Four

Charges pursuant to item (11) "Engineering and supervision," for pay of engineers, surveyors, draftsmen, inspectors, superintendents and their assistants shall be based upon City's applicable distribution rate schedule for monthly or daily rated employees fixed pursuant to City's accounting practice in effect at the time this agreement becomes effective. Such charges shall be increased by 5.0 percent to cover supervision by personnel whose salaries and wages are not directly charged pursuant to item (11).

Five

Charges pursuant to item (12) "General administration capitalized," shall be the sum of the following charges and no others:

(i) Costs incurred by City for pensions and death benefits to employees included as "Labor" in item (2) and as "Engineering and supervision" in item (11). This shall not include any costs for death benefits pursuant to any workmen's compensation law. It is agreed that the current rate of accrual of these costs is 12.0 percent of the charges for pay of employees pursuant to item (2) and 12.0 percent of the direct charges for pay of engineers, surveyors, draftsmen, inspectors, superintendents and their assistants pursuant to item (11).

(ii) 1.5 percent of all Construction Costs other than those charged pursuant to items (12) and (16).

Six

There shall be no charges pursuant to item (14) "Insurance."

Seven

There shall be no charges pursuant to item (15) "Law expenditures."

Eight

Charges pursuant to item (16) "Taxes," shall not include any amount for taxes on land or land rights. If Edison pays any such taxes on physical property (other than land or land rights) assessed against Edison for the combined interests of all Participants, City shall immediately reimburse Edison for the full amount of such taxes. Any reimbursement so made by City shall be charged as a Construction Cost.

Nine

There shall be no charges pursuant to item (17) "Interest during construction."

Ten

Construction Costs shall not include any workmen's compensation payments.

(b) As soon as practicable after this agreement becomes effective, City shall submit to Edison an accounting report of all Construction Costs paid by City prior to the first of the calendar month during which this agreement becomes effective.

Payment by Edison of one-half of such Construction Costs shall be due fifteen days after submission of such accounting report subject to Edison's right to post-audit the books and records of City pertaining to the D-C Transmission Facilities. Should any post-audit reveal errors, omissions or items not properly chargeable as Construction Costs in the amounts billed, appropriate adjustments shall be made.

(c) During the course of the acquisition and construction of the D-C Transmission Facilities, Edison shall advance to City one-half the Construction Costs thereof on the following basis:

(i) City shall submit to Edison, on or before Thursday of each week, a request for funds in one-half the amount estimated by City to be expendable for Construction Costs during the following calendar week, provided, however, that the first such request shall be for the interval of time beginning with the first of the calendar month during which this agreement becomes effective and ending at the close of the calendar week following the submission of such request.

(ii) Edison shall, on Monday following receipt of a request for funds, pay to City the amount thereof.

(iii) In making any request for funds, City shall take account of any unexpended balance of funds previously advanced by Edison or any deficiency in funds previously advanced by Edison.

(d) As soon as practicable after the close of each calendar month during the course of the acquisition and construction of the D-C Transmission Facilities, City shall furnish to Edison an accounting report covering all Construction Costs charged by the City during that month to its Construction Work in Progress account or to its Electric Plant accounts. The monthly accounting reports shall be submitted in a form satisfactory to Edison, with sufficient details to enable Edison to conform to the Electric Plant Instructions of the Uniform System of Accounts. Edison

shall have the right to post-audit the books and records of the City pertaining to the acquisition and construction of the D-C Transmission Facilities. Should any post-audit reveal errors, omissions or items not properly chargeable as Construction Costs in any accounting report, appropriate adjustments shall be made.

(e) When all Construction Costs have been paid and accounted for by City, Edison shall pay to City any deficit between total advances made by Edison and one-half total Construction Costs or shall be reimbursed for any amount by which its total advances exceed one-half total Construction Costs.

Article 6 Land And Land Rights

(a) Prior to commencement of construction of the D-C Transmission Facilities, City shall grant Edison an easement or easements for the construction, operation and maintenance of Edison's undivided one-half interest in such facilities over lands owned by City on the date of this

agreement and upon which such facilities will be located. Said easement or easements shall continue until the expiration of this agreement.

(b) Prior to commencement of construction of the D-C Transmission Facilities, City shall assign to Edison, to the extent it may legally do so, an interest in easements or other land rights held by City on the date of this agreement over lands owned by others and upon which such facilities will be located, which interest will permit the construction, operation and maintenance of Edison's undivided one-half interest in such facilities upon such lands. Such assignment or assignments shall continue until the expiration of this agreement.

(c) After the date of this agreement, City shall acquire all additional land or land rights necessary for the D-C Transmission Facilities. Prior to construction of such facilities upon said additional land or land rights, City shall grant or assign to Edison easements or other and rights upon which such facilities will be located which will permit the construction, operation and maintenance of Edison's one-half interest in such facilities over such additional land or land rights. Such easements or assignments shall continue until the expiration of this agreement.

Article 7 Payment For Land Rights

(a) From the effective date of this agreement until its expiration, Edison shall make monthly use charge payments to City of one-half of one-twelfth of five and one-half percent of the sum of the following items:

(i) The fair market value (but not to exceed \$2,800,000) of the land and land rights owned by City on the date of this agreement upon a portion of which the D-C Transmission Facilities will be located, minus the fair market value on the same date of that portion of said land and land rights which is not properly and fairly allocable to use for the D-C Transmission Facilities, plus

(ii) The cost, if any, necessary to perfect the right to construct, operate and maintain the D-C Transmission Facilities upon said land or land rights for the period of this agreement and any extension thereof, plus

(iii) That portion of the cost of additional land and land rights acquired by City after the date of this agreement pursuant to Article 6(c) which is properly and fairly allocable to use for the D-C Transmission Facilities.

(b) City shall promptly reimburse Edison for the full amount of any necessary cost incurred by Edison for the purposes mentioned in (a)(ii) of this article.

(c) City shall furnish Edison with a breakdown of the figures used in computing the charges under (a) of this article.

(d) From the effective date of this agreement until its expiration, Edison shall pay to City, within thirty days after receipt of a statement therefor, one-half of all federal, state or local taxes of any character imposed upon land or land rights for the D-C Transmission Facilities, except any tax assessed against the separate interest of City or Edison. Taxes included in any such statement which are applicable in part to a period prior to the effective date of this agreement shall be prorated as of such date. If Edison pays any such tax assessed against Edison for the combined interests of all Participants, City shall immediately reimburse Edison for the full amount of such tax.

Article 8 Operation And Maintenance By City

Until the expiration of this agreement, City shall have the right and duty to operate and maintain and make additions, betterments and necessary replacements to the D-C Transmission Facilities in accordance with the provisions of this agreement. In operating the D-C Transmission Facilities and additions and betterments thereto City shall at all times follow the instructions of Edison with respect to the use of Edison's transmission capacity in such facilities.

Article 9 Operation And Maintenance Expenses

(a) Edison shall pay to City one-half of all necessary costs (including direct, indirect and overhead costs) incurred by City during the term of this agreement for the operation and maintenance of the D-C Transmission Facilities.

These costs, herein referred to as "Operation and Maintenance Expenses," shall be the sum of all charges includible in "Operation and Maintenance Expense Accounts," which constitute a part of the Uniform System of Accounts, provided, however, that for the purposes of this agreement the provisions of said Uniform System of Accounts shall be subordinate to and controlled by the following:

One

Administrative and General Expenses shall include the sum of the following and no more:

(i) Payments made to claimants by City on account of injuries to persons or damages to the property of others, as follows:

(A) Payments in satisfaction of judgments;

(B) Payments made in compromise and settlement of claims with consent of Edison;

(C) Payments made in compromise and settlement of claims without consent of Edison, provided the total amount of such payments pursuant to this Subsection (C) arising from any single occurrence shall not exceed \$50,000.

If City is reimbursed for any such payment by insurance under Article 18(a) or (b) of this agreement, such reimbursement shall be credited to Operation and Maintenance Expenses.

If Edison makes any payment in satisfaction of judgment, or in compromise and settlement of claims with consent of City, on account of injuries to persons or damages to the property of others, arising out of the operation and maintenance of the D-C Transmission Facilities, and is not reimbursed by insurance under Article 18(a) or (b) of this agreement, City shall immediately reimburse Edison for the amount of such payment. Any reimbursement so made by City shall be included in Operation and Maintenance Expenses.

(ii) Costs incurred by City for pensions and death benefits. It is agreed that the present rate of accrual of these costs is 17.0 percent of all direct labor includible in the above-mentioned "Operation and Maintenance Expense Accounts."

(iii) An amount to cover all Administrative and General Expenses not included in (i) and (ii) above, said amount to be determined by multiplying all Operation and Maintenance Expenses except those included under One and Two of this article by a decimal fraction.

Said decimal fraction shall be derived as follows: The numerator shall be the amount of City's total administrative and general expenses chargeable to accounts 920 through 932 of the Uniform System of Accounts (disregarding accounts 922 and 929 and that portion of account 925 which relates to payments for injuries to persons other than City employees and for property damage costs, and that portion of account 926 which relates to pensions and death benefits) less an amount for administrative and general expenses relating to fuel for production and purchased

power, and all other items of administrative and general expenses not applicable to the D-C Transmission Facilities.

The denominator shall be the total amount expended by City for electric plant and equipment, plus costs of dismantling and removing electric plant from service plus City's electric plant operation and maintenance expenses less costs for fuel for production and City's administrative and general expenses chargeable to accounts 920 through 932, exclusive of that portion of account 926 which is chargeable to construction.

Said decimal fraction shall be subject to adjustment at the end of each fiscal year based upon that year's experience and the adjusted decimal fraction shall apply to all subsequent years until readjusted.

The decimal fraction derived by this method as of the effective date of this agreement is .055.

Two

Operation and Maintenance Expenses shall include all taxes paid by City on physical property other than land and land rights. If Edison pays any such taxes on physical property (other than land or land rights), assessed against Edison for the combined interests of all Participants, City shall immediately reimburse Edison for the full amount of such taxes. Any reimbursement so made by City shall be included in Operation and Maintenance Expenses.

Three

Operation and Maintenance Expenses shall include five and nine tenths percent (5.9%) of the Operations and Maintenance Expenses incurred by City for its Energy Control Center ("ECC") operation and maintenance. Such percentage allocation shall be fixed through December 31, 2013 and shall be subject to adjustment thereafter based on a methodology to be agreed upon by Edison and City.

Four

In addition to the ECC Operation and Maintenance Expenses cost allocation in Article 9(a) Three herein above, the Participants shall also be charged \$4000 per month for use of the ECC, provided that such charge shall not be included in the calculation of Administrative and General Expenses.

Five

City shall include in Operation and Maintenance Expenses the actual usage costs of City's helicopters used for operation and maintenance of the D-C Transmission Facilities. The charge for such helicopter usage shall be as established by City, provided that such charge shall not exceed the reasonable commercial rate for substantially similar helicopters performing substantially similar work.

(b) During the term of this agreement, Edison shall advance to City one-half of all Operation and Maintenance Expenses on the following basis:

(i) On the first day of every month City shall submit to Edison a request for funds in one-half the amount estimated by City to be expendable on account of Operation and Maintenance Expenses during that month.

(ii) Edison shall, on or before the fifteenth day of that month, pay to City the amount of such request for funds.

(iii) In making any request for funds pursuant to this Article 9, City shall take account of any unexpended balance of funds previously advanced by Edison pursuant hereto or any deficiency in funds previously so advanced by Edison.

(iv) As soon as practicable after the close of each calendar month, City shall furnish to Edison an accounting report covering all Operation and Maintenance Expenses charged by City during that month. The monthly accounting reports shall be submitted in a form satisfactory to Edison, with sufficient details to enable Edison to conform to the Uniform System of Accounts. Edison shall have the right to post-audit the books and records of City pertaining to the operation and maintenance of the D-C Transmission Facilities. Should any post-audit reveal errors, omissions or items not properly chargeable as Operation and Maintenance Expenses in any accounting report, appropriate adjustments shall be made.

(v) Upon termination of this agreement, Edison shall pay to City any deficit between total advances made by Edison pursuant to this Article 9 and one-half total Operation and

Maintenance Expenses or shall be reimbursed for any amount by which such total advances exceed one-half the total Operation and Maintenance Expenses.

(c) Prior to February 1 of each year City shall submit to the Advisory Committee in writing estimates of the monthly Operation and Maintenance Expenses, to be incurred for the ensuing fiscal year beginning July 1. Any significant changes from those submitted for the then current fiscal year shall be indicated and the reasons therefor stated.

Such estimates shall be in sufficient detail to enable the Advisory Committee to understand the nature of the proposed expenditures and exercise a reasonable judgment with respect to the necessity therefor.

The Advisory Committee shall consult with the City and advise the City with respect to such estimated Operation and Maintenance Expenses provided the City shall not be bound by such advice nor by its estimates, and shall do all things and make all expenditures necessary for the operation and maintenance of the D-C Transmission Facilities.

(d) Edison shall have the right to review and approve only the D-C Transmission Facilities Operation and Maintenance (O&M) annual budget as prepared by City. City will also prepare semi-annual updates of the annual O&M Budget showing the updated budget forecast and committed amounts. If the O&M budget at any time during the fiscal year is projected to exceed the approved budget by 20% or more, the City shall provide supplemental review to, and approval from, Edison. Such approval shall not be unreasonably withheld.

(e) The portion of the annual D-C Facilities O&M budget that pertains to the Sylmar Converter Station, as described in Article 3 of the DC Line Agreement, will include all costs, including but not limited to base salary and overhead mark-ups for not more than eleven (11) O&M personnel once the Sylmar Converter Station Replacement Project (Project) is determined to be in service as defined by having successfully passed all on-site testing and deemed to be commercially operable.

(f) Edison shall pay to City a monthly fee for timekeeping, payroll, and accounts payable related software amortization expenses indirectly related to the operation of the of the D-C Transmission Facilities. The initial fee shall be \$7,925 per month. Beginning January 1, 2010 and each year thereafter for the remaining term of the DC Facilities Agreement, this fee will be adjusted by the Consumer Price Index – Urban Consumers published in the Wall Street Journal for the 12 month period ending in the month of December of the previous year, provided that such adjustment shall not result in a reduction in the then prevailing charge. In the event the Wall Street Journal ceases publication of the CPI-U City and Edison shall agree on a similar index to apply. All software amortization expenses shall be removed from the calculation of Administrative and General Expenses. Billing for such charge shall be in accordance with the procedures of Article 9 (b).

(g) Operation and Maintenance Expenses associated with the Sylmar Switching Station and Relay House shall be allocated among the Participants based on the ratio of the sum of the Participant's rights to transmission facilities and transformer terminations at the Sylmar Switching Station to the total number of such terminations at the Sylmar Switching Station. The calculation of such ratios is attached as Attachment 1.

Article 10 Capital Replacements

(a) For the purposes of this agreement, "Capital Replacement" shall mean the substitution of any unit of property (as defined in the Federal Power Commission List of Units of Property For Use in Connection With Uniform System of Accounts Prescribed for Public Utilities and Licensees) constituting a part of the D-C Transmission Facilities, or any land or land rights necessary therefor, for another such unit of property, land or land rights, where the substitution does not constitute an enlargement or improvement of the thing for which it is substituted.

Prior to September 1 of each year, City shall submit to the Advisory Committee, in writing, a statement of all necessary Capital Replacements proposed to be made during the ensuing fiscal year beginning July 1 and the estimated cost of each such replacement; provided that if subsequent to September 1 of each year, in the opinion of City, additional Capital Replacements are required or a change in the Capital Replacements previously proposed is necessary, City shall as soon as practicable submit a statement of such additional or changed Capital Replacements to the Advisory Committee.

City shall consult with the Advisory Committee with respect to proposed Capital Replacements; provided that in the making of Capital Replacements City shall not be restricted to those identified in its statement, nor shall it be bound by its estimates of cost or by the advice of the Advisory Committee, but shall make all necessary Capital Replacements.

(b) Each Participant shall pay its share of the net cost of all necessary Capital Replacements after adjustment for cost of removal and salvage value of the property being replaced. A Participant's share shall be the percentage of the Effective Transmission Capacity of the D-C Transmission Facilities to which it is entitled. Payment and accounting for Capital Replacements shall conform to the provisions of Articles 5, 7 and 13, except that the allowances provided in Article 5(a) Four and Five (i) for supervision by personnel whose salaries and wages are not directly charged pursuant to item (11) and for costs incurred by City for pensions and death benefits shall be modified to properly reflect such costs incurred by City pursuant to this article.

Article 10.1 Project

(a) Project Scope: The scope of the SCS Replacement Project shall be as defined in City's "Proposal for SCS Replacement Project" dated October 12, 2000.

(b) Project Costs: Edison shall pay its' portion of the Project costs per Article 10(b). Edison shall have the right to review and approve any project changes that result in Edison's total forecasted project payment obligation to exceed \$59.045 million. Such Approval shall not be unreasonably withheld.

(c) City shall provide Edison a monthly Project Cost Report showing actual recorded costs, committed costs and future cost projections.

(d) The total annual O&M direct costs for the Sylmar Converter Station, as described in Article 3 of the DC Line Agreement, will not exceed \$3,300,000 per year for the first 3 years following the commercial acceptance of the Project because of the warranty provided by the manufacturer unless mutually agreed to by the parties.

(e) Project Management: Edison shall have the right to designate a Project representative, at Edison's sole expense, to be a part of the SCS Replacement Project Team for purposes of review and discussion of Project status.

Article 11 Capital Additions

(a) For the purposes of this agreement, "Capital Addition" shall mean any tangible property which is added to the D-C Transmission Facilities and which does not substitute for any pre-existing structures, facilities or equipment constituting a part of the D-C Transmission Facilities and any land or land rights which do not substitute for existing land or land rights necessary for the D-C Transmission Facilities.

Prior to September 1 of each year, City shall submit to the Advisory Committee, in writing, a statement of any Capital Additions proposed to be made during the ensuing fiscal year beginning July 1 and the estimated cost of each such addition; provided that if subsequent to September 1 of each year, in the opinion of City, further Capital Additions are required or a change in the Capital Additions previously proposed is necessary, City shall as soon as practicable submit a statement of such further or changed Capital Additions to the Advisory Committee.

City shall consult with the Advisory Committee with respect to proposed Capital Additions. If a Participant's representative on the Advisory Committee advises against the acquisition or construction of any such Capital Addition, such Participant shall have no obligation to make any payment whatever toward the cost of such Capital Addition, nor shall such Participant be obligated to make any payment toward the cost of the operation or maintenance thereof.

(b) City shall not make any Capital Addition which would require, in order to avoid instability of the interconnected systems in the states of Arizona, California and Nevada, a reduction in power that can be transmitted over the then existing 500 KV A-C Pacific Intertie Transmission Facilities.

(c) Capital Additions made by City shall not be used in such a manner as to adversely affect any Participant's use of the D-C Transmission Facilities.

(d) Each Participant shall pay its share of all Capital Additions consented to by it. A Participant's share shall be determined by dividing the percentage of the Effective Transmission Capacity of the D-C Transmission Facilities to which such Participant is entitled by the sum of the percentages of the Effective Transmission Capacity of the D-C Transmission Facilities to which all consenting Participants are entitled. Payment and accounting for Capital Additions shall conform to the provisions of Articles 5, 7 and 13, except that the allowances provided in Article 5(a) Four and Five (i) for supervision by personnel whose salaries and wages are not directly charged pursuant to item (11) and for costs incurred by City for pensions and death benefits shall be modified to properly reflect such costs incurred by City pursuant to this article.

(e) Subject to all of the provisions of this article, City shall make all Capital Additions requested by any Participant.

Article 12 Capital Betterments

(a) For the purposes of this agreement, "Capital Betterment" shall mean enlargement or improvement of any structures, facilities or equipment constituting a part of the D-C Transmission Facilities (or any land or land rights necessary therefor) or the substitution therefor of other land, land rights, structures, facilities or equipment where the substitution constitutes an enlargement or improvement as compared with the thing for which it is substituted.

Prior to September 1 of each year, City shall submit to the Advisory Committee, in writing, a statement of any Capital Betterments proposed to be made during the ensuing fiscal year beginning July 1 and the estimated cost of each such betterment; provided that if subsequent to September 1 of each year, in the opinion of City, additional Capital Betterments are required or a change in the Capital Betterments previously proposed is necessary, City shall as soon as practicable submit a statement of such additional or changed Capital Betterments to the Advisory Committee.

City shall consult with the Advisory Committee with respect to proposed Capital Betterments. If a Participant's representative on the Advisory Committee advises against the making of any such Capital Betterment, the obligations of such Participant with respect thereto shall be as follows:

(i) If a Capital Replacement is necessary at the time the Capital Betterment is made, such Participant shall be obligated to pay an amount equal to its share of the cost of such a Capital Replacement.

(ii) If a Capital Replacement is not needed at the time the Capital Betterment is made but would have become necessary at a later date, then such Participant shall be obligated to pay, at such later date, an amount equal to its share of the cost of such necessary Capital Replacement.

(iii) If a Capital Replacement is necessary at the time the Capital Betterment is made, such Participant shall be obligated to pay, monthly, an amount equal to its share of the cost of operating and maintaining such a Capital Replacement.

(iv) If a Capital Replacement is not needed at the time the Capital Betterment is made, such Participant shall be obligated to pay, monthly, an amount equal to its share of the cost of operating and maintaining the D-C Transmission Facilities as they would have existed but for the making of the Capital Betterment; provided that if a Capital Replacement would have become necessary at a later date, but for the making of the Capital Betterment, then after such later date such Participant shall be obligated to pay, monthly, a sum equal to its share of the cost of operating and maintaining such a Capital Replacement.

(b) City shall not make any Capital Betterment which would require, in order to avoid instability of the interconnected systems in the states of Arizona, California and Nevada, a reduction in power that can be transmitted over the then existing 500 KV A-C Pacific Intertie Transmission Facilities.

(c) Capital Betterments made by City shall not be used in such a manner as to adversely affect any Participant's use of the D-C Transmission Facilities.

(d) Each Participant shall pay its share of all Capital Betterments consented to by it. A Participant's share shall be determined by dividing the percentage of the Effective Transmission Capacity of the D-C Transmission Facilities to which such Participant is entitled by the sum of the percentages of the Effective Transmission Capacity of the D-C Transmission Facilities to which all consenting Participants are entitled. Payment and accounting for Capital Betterments shall conform to the provisions of Articles 5, 7 and 13, except that the allowances provided in Article 5(a) Four and Five (i) for supervision by personnel whose salaries and wages are not directly charged pursuant to item (11) and for costs incurred by City for pensions and death benefits shall be modified to properly reflect such costs incurred by City pursuant to this article.

(e) Subject to all of the provisions of this article, City shall make all Capital Betterments requested by any Participant.

Article 13 Penalty For Delinquent Payments

Any payment under this agreement which is not made when due shall thereafter bear a penalty of one percent per month of the unpaid principal until payment is received (prorated by days for periods of less than one month); provided that the penalty shall not apply to any portion of an obligation to pay which is disputed in good faith.

Article 14 Point Of Delivery

Incident to the parallel operation of the systems of City and Edison with two or more points of interconnection, uncontrolled flows of power may occur from time to time between such points of interconnection. Notwithstanding this fact, the point at which capacity and energy are supplied and delivered from the D-C Transmission Facilities to Edison and to the D-C Transmission Facilities by Edison shall be deemed to be the point where Edison connects to the 230 kV buses at Sylmar Switching Station.

Article 15 Spinning Reserve Requirements

(a) Each Participant shall at all times maintain on its system, or have available by arrangement with others, spinning reserve capacity sufficient to immediately replace at least the amount of power scheduled to be received by it over the D-C Transmission Facilities and additions and betterments thereto; provided that power scheduled to be received by Pacific Gas and Electric Company or San Diego Gas & Electric Company over the D-C Transmission Facilities and additions and betterments thereto shall be deemed to be power scheduled to be received by Edison over said facilities.

(b) Each Participant that Sells a Transfer Interest under Article 19 to any Entity shall at all times maintain on its system, or have available by Arrangement with such Entity or with others, spinning reserves in addition to those required by (a) above sufficient to immediately replace at least the amount of power scheduled to be received at Sylmar Switching Station over said Transfer Interest by such Entity, its successors or assigns.

(c) Neither City nor Edison shall have any obligation to maintain on its system or have available by arrangement with others spinning reserve capacity to replace interruptible power transmitted over capacity in the D-C Transmission Facilities made available to the state of California pursuant to Article 19(e)

(d) The amount of power scheduled to be received by a Participant over the D-C Transmission Facilities and additions and betterments thereto at any time shall not exceed its spinning reserve

capacity at such time; provided that if during an emergency a Participant is unable, after exercise of due diligence, to obtain an offer of sufficient spinning reserve capacity to comply with the requirements of this article, such inability shall not prevent such Participant from utilizing its capacity entitlement in the D-C Transmission Facilities and additions and betterments thereto during such emergency.

Article 16 Losses In Transmission Facilities

(a) The no-load losses of the D-C, Transmission Facilities and additions and betterments thereto, as determined from test or from manufacturer's guarantees, if no test has been performed, shall be prorated among the Participants in proportion to the capacity entitlement of each divided by the sum of all the capacity entitlements.

(b) Load losses shall be determined for each clock-hour by the difference in kilowatt-hour registrations for such clock-hour on the meters measuring the flow of energy in the D-C Transmission Facilities and additions and betterments thereto at the Oregon-Nevada border and at Sylmar Switching Station less the no-load losses. Load losses shall be prorated among the Participants for each clockhour as follows:

(i) If all Participants are taking or sending power in the same direction, the portion of the load losses to be assigned to each Participant shall be equal to its scheduled delivery divided by the sum of the scheduled deliveries of all Participants.

(ii) If some Participants are taking power from the Pacific Northwest during the same clock-hour that other Participants are sending power to the Pacific Northwest, the net load losses shall be assigned to the Participants taking or making delivery in the direction of actual power flow in proportion to their scheduled receipts or deliveries.

(iii) For the purposes of (i) and (ii) above, load losses associated with scheduled deliveries or capacity made available by City or Edison under Article 19(e) shall be assigned to the one making capacity available.

(iv) Any Entity that acquires a Transfer Interest under Article 19 shall be assigned losses on the same basis as though it were a Participant. Each Participant that Sells a Transfer Interest under Article 19 to any Entity shall require such Entity to agree to be bound by the provisions of this Article 16.

Article 17 Meter Tests

(a) City shall test the meters at Sylmar Switching Station measuring the total receipts or deliveries over the D-C Transmission Facilities and additions and betterments thereto, at least once each year, and if they are found to be inaccurate, shall adjust or replace them. City shall give each Participant reasonable notice of the time when the meter tests will be made, and each Participant shall have the right to have a representative witness the tests. At the request of any Participant, City shall make additional tests or inspections of the meters owned by it in the presence of representatives of the Participants and the cost thereof shall be paid by the Participant requesting the test if the percentage of error is found to be less than one percent slow or fast.

(b) If any tests show any meter to be inaccurate by more than one percent, or if any meter fails to register, an adjustment shall be made correcting all measurements made by such meter. The adjustment shall be equal to the amount of error as found (i) for the actual period of such erroneous meter registration or (ii) if such period cannot be established, for half the period from the date of the last preceding test.

Article 18 Insurance

(a) For the protection of all Participants with respect to liabilities and risks arising out of or in connection with the construction, operation and maintenance of the D-C Transmission Facilities and additions and betterments thereto and land and land rights necessary therefor, City shall use its best efforts to secure and maintain in force comprehensive bodily injury and property damage liability insurance with a combined single limit of at least \$50 million subject to a deductible amount of not more than \$200,000.

(b) City shall require each contractor hired to construct D-C Transmission Facilities or additions or betterments thereto (other than terminal facilities) to maintain in force and effect the following types of insurance:

(i) All risk builder's risk insurance (course of construction) with variable or fixed limits adequate to cover completed insurable values subject to a deductible of not more than \$2,500.

(ii) All risk equipment insurance with variable limits adequate for insurable values at risk subject to a deductible of not more than \$2,500.

(iii) Personal injury liability and property damage liability including liability assumed under any written contract or agreement and including the claims arising from the operation, maintenance or use of any automobile with a combined single limit of at least \$5 million subject to a property damage deductible of not more than \$5,000.

(iv) Aircraft bodily injury liability (including passengers) and property damage liability for claims arising out of the operation, maintenance or use of any aircraft with a combined single limit of \$1 million not subject to a deductible.

(v) Workmen's compensation and employer's liability insurance each with a \$500,000 limit not subject to a deductible, and U.S. Longshoremen's and Harbor Worker's Act and employer's liability each with a \$500,000 limit not subject to a deductible.

(c) All Participants shall be named insureds individually and jointly in, and cross liability endorsements shall be attached to, the policies of insurance secured by City under (a) of this article and by City's contractors under (b) of this article. City shall furnish each Participant with a copy of each such policy.

(d) Any additional insurance that may be carried by an individual Participant and that may be applicable to a loss covered by the insurance secured under (a) or (b) of this article shall be deemed excess insurance (except as respects any specific primary insurance hereafter arranged for by an individual Participant for its own protection) and the insurance carried by City or its contractors primary insurance, despite any conflicting provisions in the policy or policies secured by City or its contractors to the contrary, and such additional insurance shall cover only liability of the individual Participant that may be the named insured in any such additional insurance.

Article 19 Sale, Lease Or Other Disposition Of Capacity Or Of An Interest In The D-C Transmission Facilities

(a) City shall have the right at any time within one year from the date of this agreement to sell, lease or otherwise dispose of portions of the City's interest in the D-C Transmission Facilities to the cities of Burbank, Glendale and Pasadena; provided that the aggregate of said portions shall not exceed thirty percent of City's interest in the D-C Transmission Facilities.

(b) Each Participant shall have the right until the expiration of this agreement to permit its capacity in the D-C Transmission Facilities and additions and betterments thereto to be used by any Participant or Participants, without offering the same to all Participants, on either

(i) a firm basis for a period of less than one year, or

(ii) an immediately interruptible basis.

(c) Each Participant, other than Edison, shall have the right until the expiration of this agreement to permit its capacity in the D-C Transmission Facilities and additions and betterments thereto to be used by any other Participant or Participants without first offering such capacity to all Participants.

(d) Edison shall have the right until the expiration of this agreement to permit its capacity in the D-C Transmission Facilities and additions and betterments thereto to be used by Pacific Gas and Electric Company and San Diego Gas & Electric Company without first offering such capacity to the Participants.

(e) City and Edison, respectively, shall each have the right until the expiration of this agreement to permit their excess capacity in the D-C Transmission Facilities and additions and betterments thereto to be used for transmission of Northwest surplus energy by the state of California for use in the operation of State Water Project pumping plants without first offering such capacity to other Participants.

(f) Except as provided in (a), (b), (c), (d) and (e) above, if any Participant desires to sell, lease or otherwise dispose of (herein collectively referred to as "Sell") all or any portion of its interest, or of its right to use capacity, in the D-C Transmission Facilities and additions and betterments thereto (herein referred to as "Transfer Interest") to any person, partnership, association, company, corporation or governmental agency (herein referred to as "Entity"), and the terms offered by such Entity are satisfactory to such Participant, the other Participants shall have the right of first refusal to acquire such Transfer Interest in whole, but not in part, on terms not less favorable than those offered by any such Entity, as herein provided;

(i) At least three years prior to its intended date to Sell and after its receipt of a bona fide written offer, the Participant desiring to Sell its Transfer Interest, shall serve written notice upon the other Participants that it intends to do so. Such notice shall contain the approximate proposed date to Sell, the terms of said bona fide written offer and the terms and conditions offered to the other Participants.

(ii) Each Participant shall signify its intention to acquire all, a part of or no part of the Transfer Interest, by serving written notice upon all Participants within 180 days after its receipt of the written notice of intention to Sell.

(iii) If all or some of the Participants signify their intention to acquire in aggregate more than the entire Transfer Interest, the Transfer Interest shall be allocated to such Participants in proportion to their interests in the D-C Transmission Facilities.

(iv) If the Participants desiring to acquire signify their intention to acquire less than the entire Transfer Interest, the Participant desiring to Sell its Transfer Interest shall serve written notice of this fact upon all of the Participants within ten days after its receipt of the last of the written notices given pursuant to paragraph

(ii) above or on the expiration of the 180 day period, whichever is earlier.

(v) The one or more Participants who signified their intention to acquire less than the entire Transfer Interest may signify their intention to acquire the remainder of the Transfer Interest by serving written notice of intention to do so upon the Participant desiring to Sell within thirty days after written notice is given pursuant to paragraph (iv) above.

(vi) When intention to acquire the entire Transfer Interest has been indicated by notices duly given hereunder by the Participants desiring to purchase, it shall be the binding obligation (aa) of the Participant desiring to Sell and of the Participants desiring to acquire to proceed in good faith and with diligence to obtain all required authorizations and approvals to Sell; (bb) of the Participant desiring to Sell to obtain the release of any liens imposed by it or through it upon any part of the Transfer Interest at the earliest practicable date thereafter; and (cc) of the Participants desiring to acquire to perform all terms and conditions required to complete the acquisition of the Transfer Interest.

(vii) If the intention to acquire the entire Transfer Interest has not been indicated by notices given within the specified time periods hereunder by the Participants desiring to acquire, the Participant desiring to sell shall be free to Sell all, but not less than all, of its Transfer Interest to the Entity that made the bona fide written offer. If the transfer of the entire Transfer Interest is not completed within eighteen months after the approximate proposed date to Sell, the Participant desiring to Sell its Transfer Interest must give another complete new right of first refusal to the other Participants before such Participant shall be free to Sell all or any part of its Transfer Interest to any Entity.

(viii) Nothing herein contained shall limit the rights of any Participant to Sell its Transfer Interest to a trustee or trustees, individual or corporate, as security for bonds or other obligations or securities, without invoking the right of first refusal.

(ix) No transfer of a Transfer Interest whether to another Participant or an outside party shall relieve the transferring Participant from full liability and financial responsibility for performance (both before and after any such transfer) of all obligations and duties provided and imposed upon such Participant under the terms of this agreement.

Article 20 Dispute Resolution

(a) Disputes on any matter relating to this agreement shall first be referred to the individuals who are specified to receive written notices at such time pursuant to Article 27 and the other Participants, if applicable, who shall use their best efforts to promptly resolve such disputes. If the affected Participants are unable to resolve any such disputes within a reasonable time, any affected Participant may pursue arbitration in accordance with this Article 20 or any other lawful remedy otherwise available to such Participant.

(b) Scope of Arbitration

In the event of disagreement between the Participants with respect to any question of fact or opinion involved in the application of the provisions of this agreement or the interpretation of any provision of this agreement, the matter involved in the disagreement shall, upon the demand of any Participant, be submitted to arbitration in the manner hereinafter provided.

(c) Appointment of Arbitrator

Upon written demand of any Participant or Participants for arbitration of any of the above matters, the Participants involved shall endeavor to agree upon and appoint an arbitrator. If such Participants fail to so agree within a period of fifteen days from the receipt of the demand, the Participant or Participants calling for arbitration shall apply to the then presiding judge of the United States Court of Appeals for the Ninth Circuit for appointment of an arbitrator skilled with respect to the matter to be arbitrated.

(d) Procedure

Within five days after selection of the arbitrator, the Participants involved shall submit a written statement to the arbitrator of the exact question or questions to be arbitrated. If such Participants cannot agree on a single statement, they shall submit separate statements. The arbitrator shall conduct a hearing on the question or questions submitted for arbitration on the earliest practicable date, and the Participants involved shall be allowed to present such evidence and make such argument as they see fit. The fee and expenses of the arbitrator shall be shared equally by such Participants, unless the award shall specify a different division.

(e) Effect of Arbitration

The findings and award of the arbitrator shall be in writing, shall be final and conclusive with respect to the question or questions submitted for arbitration and shall be binding on the Participants involved.

Article 21 Liability

(a) No Participant shall incur liability for damages for failure to meet the obligations of this agreement if such failure is caused by uncontrollable forces such as act of God, fire, strike, riot, war, sabotage, or anything beyond the reasonable control of such Participant.

(b) Except as provided in (c) below and except for willful breach of contract, no Participant shall be liable to any other Participant for damages of any nature (direct or consequential) which are

not covered by insurance under Article 18(a) or (b) and which arise out of the construction, operation or maintenance of the D-C Transmission Facilities or additions or betterments thereto.

(c) Since City has control over the operation and maintenance of the D-C Transmission Facilities and additions and betterments thereto, it is hereby agreed that if any Participant or Participants demand arbitration with respect to any action taken or refused to be taken by City in connection with the operation or maintenance of such facilities, additions or betterments on the grounds that such action or refusal to act constitutes a hazard to such facilities, additions or betterments, and if the arbitrator rules in favor of the objecting Participant or Participants, City shall save such objecting Participant or Participants free and harmless from the cost of repairing any damage to such facilities, additions or betterments caused- subsequent to the date of such demand, by such action or refusal to act.

Article 22 Relationship Of Parties

The duties, obligations and liabilities of the Participants hereto are intended to be several and not joint or collective, and nothing herein contained shall ever be construed to create an association, trust or partnership or impose a trust or partnership duty, obligation or liability on or with regard to any one or more of the Participants. Each Participant shall be individually responsible for its own obligations as herein provided.

Article 23 Waiver Of Right To Partition

For itself and its successors and assigns, each Participant, until expiration of this agreement, waives the right to have partition of the D-C Transmission Facilities and agrees that it will not resort to any action at law or in equity to partition the same and to that extent waives the benefits of all laws that may now or hereafter authorize such partition.

Article 24 Provisions Of This Agreement To Be Made Applicable To Participants Other Than City And Edison

City, in the event-it disposes of a portion of its undivided interest in the D-C Transmission Facilities to the cities of Burbank, Glendale or Pasadena pursuant to Article 19(a) will require each such entity that acquires any such interest to enter into an agreement for the benefit of each Participant under which such entity will be bound, as a Participant, by provisions identical to those in Articles 2, 8, 10, 11, 12, 15, 16, 17, 18, 19, 20, 21, 22 and 23 of this agreement.

Article 25 No Dedication Of Facilities

Neither City nor Edison, by entering into this agreement, dedicates its share of the D-C Transmission Facilities to the public (other than to the public within its own service area) or holds itself out to furnish transmission service over its share of such facilities to any person or entity.

Article 26 Continuing Obligation

(a) If Edison is prevented by any regulatory agency, acting within its jurisdiction, from acquiring or retaining an undivided one-half interest in the D-C Transmission Facilities or from construction or arranging for construction of the same as herein contemplated, Edison shall nevertheless be bound to make all payments provided for in this agreement and City shall be bound to provide to Edison, throughout the term of this agreement, transmission service through one-half of the Effective Transmission Capacity of the D-C Transmission Facilities and through Edison's share of the Effective Transmission Capacity of additions and betterments to the D-C Transmission Facilities.

(b) In such event, City and Edison shall continue to be bound by all of the provisions of this agreement except Article 4(a), (b) and (e), and Edison shall convey or reconvey to City all right, title or interest in or to any property, real, personal or intangible, acquired by Edison pursuant to the terms of this agreement.

Article 27 Notices

Any notice, demand, or request provided in this Agreement, or served, given, or made in connection with it, shall be in writing and deemed properly served, given, or made if delivered in person or sent by United States mail, postage prepaid, to the persons specified herein unless otherwise provided in this Agreement:

Southern California Edison Company
Manager of Grid Contracts
P.O. Box 800
Rosemead, California 91770

Department of Water and Power of the City of Los Angeles c/o Director of System Planning and Projects
Room 1255, JFB
P.O. Box 51111,
Los Angeles, CA 90051-0100

IN WITNESS WHEREOF,, the parties hereto have caused this agreement to be executed as of the day and year. first above written.

DEPARTMENT OF WATER AND POWER

OF THE CITY OF LOS ANGELES

By the Board of Water and Power Commissioners

By
President

Attest:
Secretary

SOUTHERN CALIFORNIA EDISON COMPANY

By
President

Attest:
Secretary

DUPLICATE ORIGINAL

AMENDMENT NO. 2

TO THE

CITY-EDISON

PACIFIC INTERTIE D-C TRANSMISSION FACILITIES AGREEMENT

BETWEEN

THE DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES

AND

SOUTHERN CALIFORNIA EDISON COMPANY

DWP NO. 10078

AMENDMENT NO. 2

TO THE

CITY-EDISON

PACIFIC INTERTIE D-C TRANSMISSION FACILITIES AGREEMENT

1. **PARTIES:** The Parties to this Amendment No. 2 to the City-Edison Pacific Intertie D-C Transmission Facilities Agreement are the City of Los Angeles, by and through the Department of Water and Power, a department organized under the charter of the City of Los Angeles, a municipal corporation of the State of California ("City") and the Southern California Edison Company, a California corporation ("SCE") sometimes referred to herein as "Party" or "Parties."
2. **RECITALS:** This Amendment No. 2 is made with reference to the following facts among others:
 - 2.1 On March 31, 1966, City and SCE entered into the City-Edison Pacific Intertie D-C Transmission Facilities Agreement ("DC Facilities Agreement"), DWP No. 10078. The DC Facilities Agreement sets forth the terms and conditions pursuant to which City and SCE jointly own the D-C Transmission Facilities and City operates and maintains the D-C Transmission Facilities. Among other things, the DC Facilities Agreement provides the terms and conditions under which the City bills SCE and SCE pays for SCE's share of the operation and maintenance expenses of the D-C Transmission Facilities.
 - 2.2 Accordingly, the Parties desire to amend the DC Facilities Agreement as set forth herein.
3. **AGREEMENT:** In consideration of the covenants and conditions set forth herein the Parties agree as follows:
4. **DEFINITIONS:** The following terms when used herein with initial capitalization, whether in the singular or the plural, shall have the meanings set forth below:
 - 4.1 **Amended and Restated DC Facilities Agreement:** The agreement that conforms the DC Facilities Agreement through Amendment No. 2 attached hereto and incorporated herein by this reference as Appendix 1.
 - 4.2 **Amendment No. 2:** This Amendment No. 2 to the DC Facilities Agreement, which represents the Parties written agreement to amend the DC Facilities Agreement.
 - 4.3 **FERC:** The Federal Energy Regulatory Commission or its successor.

- 4.4 DC Facilities Agreement: The City-Edison Pacific Intertie D-C Transmission Facilities Agreement between City and Edison, City Contract Number 10078 and Edison FERC Rate Schedule Number 303.
- 4.5 DC Facilities: The "D-C Transmission Facilities" as defined in the DC Facilities Agreement.
5. **TERM:** The term of this Amendment No. 2 shall be coterminous with the DC Facilities Agreement.
6. **AGREEMENT MODIFICATIONS:** Unless otherwise stated, the following amendment to the DC Facilities Agreement shall be deemed to be effective as of January 1, 2009:
- 6.1 A new Article 9 (a) Three shall be added to the DC Facilities Agreement as follows:
- Three
Operation and Maintenance Expenses shall include five and nine tenths percent (5.9%) of the Operations and Maintenance Expenses incurred by City for its Energy Control Center ("ECC") operation and maintenance. Such percentage allocation shall be fixed through December 31, 2013 and shall be subject to adjustment thereafter based on a methodology to be agreed upon by Edison and City.
- 6.2 A new Article 9 (a) Four shall be added to the DC Facilities Agreement as follows:
- Four
In addition to the ECC Operation and Maintenance Expenses cost allocation in Article 9 (a) Three herein above, the Participants shall also be charged \$4000 per month for use of the ECC, provided that such charge shall not be included in the calculation of Administrative and General Expenses.
- 6.3 A new Article 9 (a) Five shall be added to the DC Facilities Agreement as follows:
- Five
City shall include in Operation and Maintenance Expenses the actual usage costs of City's helicopters used for operation and maintenance of the D-C Transmission Facilities. The charge for such helicopter usage shall be as established by City, provided that such charge shall not exceed the reasonable commercial rate for substantially similar helicopters performing substantially similar work.

6.4 A new Article 9 (f) shall be added to the DC Facilities Agreement as follows:

(f) Edison shall pay to City a monthly fee for timekeeping, payroll, and accounts payable related software amortization expenses indirectly related to the operation of the of the D-C Transmission Facilities. The initial fee shall be \$7,925 per month. Beginning January 1, 2010 and each year thereafter for the remaining term of the DC Facilities Agreement, this fee will be adjusted by the Consumer Price Index – Urban Consumers published in the Wall Street Journal or on the U.S Department of Labor, Bureau of Labor Statistics website (<ftp://ftp.bls.gov/pub/special.requests/cpi/cpi.txt>) for the 12 month period ending in the month of December of the previous year, provided that such adjustment shall not result in a reduction in the then prevailing charge. In the event the Wall Street Journal ceases publication of the CPI-U City and Edison shall agree on a similar index to apply. All software amortization expenses shall be removed from the calculation of Administrative and General Expenses. Billing for such charge shall be in accordance with the procedures of Article 9 (b).

6.5 A new Article 9 (g) shall be added to the DC Facilities Agreement as follows:

(g) Operation and Maintenance Expenses associated with the Sylmar Switching Station and Relay House shall be allocated among the Participants based on the ratio of the sum of the Participant's rights to transmission facilities and transformer terminations at the Sylmar Switching Station to the total number of such terminations at the Sylmar Switching Station. The calculation of such ratios is attached as Exhibit A.

6.6 The title of Article 20 shall be changed to "Dispute Resolution." A new Article 20 (a) is to be added to the DC Facilities Agreement as follows and existing Articles 20 (a), (b), (c), and (d) shall be redesignated as Articles 20 (b), (c), (d), and (e) respectively:

(a) Disputes on any matter relating to this agreement shall first be referred to the individuals who are specified to receive written notices at such time pursuant to Article 27 and the other Participants, if applicable, who shall use their best efforts to promptly resolve such disputes. If the affected Participants are unable to resolve any such disputes within a reasonable time, any affected Participant may pursue arbitration in accordance with this Article 20 or any other lawful remedy otherwise available to such Participant.

7. **ENTIRE AGREEMENT:** The Amended and Restated DC Facilities Agreement incorporated by reference, and herein attached as Appendix 1, represents the complete agreement of the Parties with respect to the subject matter thereof, and supersedes all prior agreements and understandings with respect to such subject matter.

8. **EFFECTIVE DATE:** This Amendment No. 2 shall become effective on the date that the Amended and Restated DC Facilities Agreement is accepted for filing by FERC; provided, however, that, if upon filing, FERC enters into a hearing to determine whether this the Amended and Restated DC Facilities Agreement is just and reasonable, it shall not become effective until the date when an order no longer subject to judicial review has been issued by FERC determining the Amended and Restated DC Facilities Agreement to be just and reasonable without changes or new conditions unacceptable to either Party. If FERC issues a final order disapproving the Amended and Restated DC Facilities Agreement, or if FERC applies terms and conditions to its approval of the Amended and Restated DC Facilities Agreement that are not acceptable to either Party, then either Party may terminate this Agreement within 10 days of such order. In the event of such termination, both Parties shall retain all of their respective rights under the DC Facilities Agreement.
9. **SIGNATURE CLAUSE:** The signatories hereto represent that they have been authorized to enter into this Amendment No. 2 to the DC Facilities Agreement on behalf of the Party for which they sign. Executed as of the ____ day of ____ 2011.

DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES

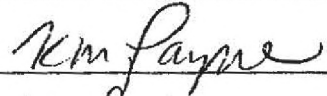
By: 

RONALD O. NICHOLS

Title: General Manager

Date: 8/22/12

SOUTHERN CALIFORNIA EDISON COMPANY

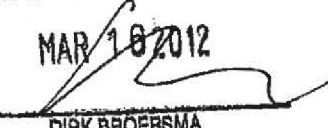
By: 

Title: Vice President

Date: 11/29/2011

APPROVED AS TO FORM AND LEGALITY
CARMEN A. TRUFANICH, CITY ATTORNEY

MAR 18 2012

BY 
DIRK BROERSMA
DEPUTY CITY ATTORNEY

AUTHORIZED BY RES. 012, 265
JUN 05 2012

APPENDIX 1

[Amended and Restated DC Facilities Agreement]

EXHIBIT A

[Sylmar Switching Station & Relay House New Billing Percentages]

Exhibit A

Sylmar Switching Station & Relay House New Billing Percentages

Termination	SCE	DWP	Burbank	Glendale	Pasadena	Total
Converter Bus Tie 1	0.5	0.4	0.0385	0.0385	0.0230	1.00
Converter Bus Tie 2	0.5	0.4	0.0385	0.0385	0.0230	1.00
Sylmar-Rinaldi Line 1	0.0	1.0	0.0000	0.0000	0.0000	1.00
Sylmar-Rinaldi Line 3	0.0	1.0	0.0000	0.0000	0.0000	1.00
Sylmar-Rinaldi Line 4	0.0	1.0	0.0000	0.0000	0.0000	1.00
Sylmar-Northridge Line 1	0.0	1.0	0.0000	0.0000	0.0000	1.00
Pardee-Sylmar Line 1	1.0	0.0	0.0000	0.0000	0.0000	1.00
Pardee-Sylmar Line 2	1.0	0.0	0.0000	0.0000	0.0000	1.00
Eagle Rock-Sylmar Line 1	1.0	0.0	0.0000	0.0000	0.0000	1.00
Castaic-Sylmar Line 1	0.0	1.0	0.0000	0.0000	0.0000	1.00
Gould-Sylmar Line 1	1.0	0.0	0.0000	0.0000	0.0000	1.00
Bank E	0.0	1.0	0.0000	0.0000	0.0000	1.00
Bank F	1.0	0.0	0.0000	0.0000	0.0000	1.00
Bank G	0.0	2.0	0.0000	0.0000	0.0000	2.00
Total	6.000	8.800	0.077	0.077	0.046	15.00

Cost Responsibility Percentage Calculation

			New %
SCE	6/15	0.400	40.00
DWP	8.8/15	0.587	58.67
Burbank	.077/15	0.005	0.51
Glendale	.077/15	0.005	0.51
Pasadena	.046/15	0.003	0.31
Total			100.00