

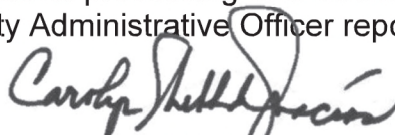
0150-12722-0000

TRANSMITTAL

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

PROPOSED RESOLUTION AND ORDINANCE AUTHORIZING THE EXECUTION OF THE NAVAJO Q196 LARGE GENERATOR INTERCONNECTION AGREEMENT – CONTRACT NO. 54483/DWP NO. BP 23-011 BETWEEN THE LOS ANGELES DEPARTMENT OF WATER AND POWER, NEXTERA ENERGY RESOURCES INTERCONNECTION HOLDINGS, LLC, THE UNITED STATES BUREAU OF RECLAMATION, THE ARIZONA PUBLIC SERVICE COMPANY, THE NEVADA POWER COMPANY, THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, AND THE TUCSON ELECTRIC POWER COMPANY

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



MAYOR

(Carolyn Webb de Macias for)

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

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: September 16, 2024

CAO File No.: 0150-12722-0000

Council File No.:

Council District: All

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

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

Subject: **PROPOSED RESOLUTION AND ORDINANCE AUTHORIZING THE EXECUTION OF THE NAVAJO Q196 LARGE GENERATOR INTERCONNECTION AGREEMENT – CONTRACT NO. 55889/DWP NO. BP 23-008 BETWEEN THE LOS ANGELES DEPARTMENT OF WATER AND POWER, NEXTERA ENERGY RESOURCES INTERCONNECTION HOLDINGS, LLC, THE UNITED STATES BUREAU OF RECLAMATION, THE ARIZONA PUBLIC SERVICE COMPANY, THE NEVADA POWER COMPANY, THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, AND THE TUCSON ELECTRIC POWER COMPANY**

RECOMMENDATION

That the Mayor:

1. Approve the proposed Los Angeles Department of Water and Power (LADWP) Resolution and Ordinance authorizing the execution of the Navajo Q196 Large Generator Interconnection Agreement – Contract No. 55889/DWP No. 23-008 between, LADWP, Nextera Energy Resources Interconnection Holdings, LLC, the United States Bureau of Reclamation, the Arizona Public Service Company, the Nevada Power Company, the Salt River Project Agricultural Improvement and Power District, and the Tucson Electric Power Company;
2. Delegate authority to the Los Angeles Department of Water and Power Commissioners (Board) by ordinance and authorize the Board to act on and approve all future amendments to the Interconnection Agreement pursuant to Charter Section 674; and
3. Return the proposed Resolution and Ordinance to LADWP for further processing, including Council consideration.

SUMMARY

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

Interconnection Holdings, LLC, (Interconnection Customer); and (2) the LADWP, the United States Bureau of Reclamation, the Arizona Public Service Company, the Nevada Power Company, the Salt River Project Agricultural Improvement and Power District, and the Tucson Electric Power Company collectively known as the Navajo Participants.

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

The Navajo LGIA will allow the Interconnection Customer to physically interconnect a 161-megawatt (MW) hybrid system, combining 101 MW of wind production and 60 MW of solar production, known as the Large Generator Interconnection Project Q196 (Q196 Project) with the Cedar Mountain-Moenkopi 500 kV Line. While the LADWP is not granted any rights to power produced by the interconnection Customer's facilities, bids can be made to sell energy to the interconnected energy market.

Although the LADWP has no ownership share in the Cedar Mountain-Moenkopi 500 kV Line, the City of Los Angeles, acting by and through LADWP, as one of the co-owners of the Navajo Project is obligated to approve any interconnection of power generation facilities and execute the Navajo LGIA.

In accordance with Charter Section 674, subject to City Council approval by ordinance, the Board shall have the power to contract with the United States, or any of its agencies, any state or state agency, and any corporation, public or private, located inside or outside of the City or State of California; for the construction, ownership, operation, and maintenance of facilities for the generation, transformation, and transmission of electric energy. This Office has reviewed the request and recommends approval.

BACKGROUND

On July 1, 2024, the Mayor's Office requested a review of a June 14, 2024 LADWP report and proposed Los Angeles Board of Water and Power Commissioners (Board) Resolution and Ordinance for approval of the Navajo LGIA – Contract No. 55889/DWP No. BP 23-008. The Navajo LGIA is between the Interconnection Customer and the Navajo Participants, including the LADWP. The Navajo LGIA Agreement, included in the Attachment, details the many terms of the agreement as well as what is required for the interconnection of the Interconnection Customer's Q196 Project. Some significant Agreement requirements and terms are discussed below as detailed in the Agreement attached to this report.

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

- City of Los Angeles, acting by and through LADWP
- United States of America, Department of the Interior, Bureau of Reclamation
- Arizona Public Service Company (APS)

- Nevada Power Company d/b/a NV Energy, a Nevada Corporation
- Salt River Project Agricultural Improvement and Power district, an agricultural improvement district organized existing under the laws of the State of Arizona, and
- Tucson Electric Power Company formerly known as Tucson Gas and Electric Company, an Arizona Corporation

Proposed Interconnection Agreement – The Navajo LGIA establishes costs, terms, and conditions for the construction, operation, and maintenance of facilities needed for the Interconnection Customer to physically interconnect the firm's 161-megawatt (MW) hybrid system, combining 101 MW of wind production and 60 MW of solar production facilities, known as the Q196 Project, to the Cedar Mountain-Moenkopi 500 kV Line, a component of the STS and the Navajo Project. The term of the Navajo LGIA is coterminous with the Navajo CTA thru December 23, 2035, unless it is terminated earlier in accordance with the termination provision of the Agreement. As provided in Navajo LGIA, Article 2.3, concerning early termination, the Agreement shall terminate upon the first of the following events to occur: (a) the termination of the Agreement or any replacement agreement, (b) termination pursuant to Article 5.16 concerning suspension of work, (c) termination of the Agreement pursuant to Article 20 concerning default, (d) termination of the Agreement upon agreement of all parties to terminate, and (e) upon no less than 90 calendar days advance written notice of termination from Interconnection Customer to Operating Agent, APS.

As detailed in Appendix A of Navajo LGIA, requirements for the Interconnection Customer's Q196 Project interconnection to the Cedar Mountain-Moenkopi 500 kV Line provide that no more than 161 MW will be delivered to the Point of Interconnection at one any time, ownership of Network Upgrades will be split between owning participants based on their ownership interest in the Cedar Mountain-Moenkopi 500 kV Line, Stand-Alone Network Upgrades consisting of a new fiber line between the Cedar Mountain Substation and the project site will be built by the Interconnection Customer to Operating Agent standards, and the Interconnection Customer is responsible for actual costs incurred applicable to the maintenance, repair, and replacement of all equipment between the Point of Interconnection and the change of ownership location. The Interconnection Customer will be allowed to assign the agreement subject to the provisions of Navajo LGIA Article 22.1 and the provisions of the Navajo CTA. In the event the Commercial Operation date is not achieved within the timeframe specified by the Operating Agent, the interconnection request will be deemed withdrawn and the Agreement terminated.

The proposed interconnection with the Cedar Mountain-Moenkopi 500 kV Line will take place on land owned by the Navajo tribes, near Valle, Arizona, approximately 465 miles from Los Angeles where a new 500 kV switchyard will be built. While the Navajo LIGA does not grant LADWP any rights to power generated by the Interconnection Customer, it does permit the Interconnection Customer to place bids to sell power to the interconnected energy market resulting in expanded capacity and reliability of the Navajo Project.

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