



- Board of Directors
Legal and Claims Committee

2/14/2017 Board Meeting

7-3

Subject

Adopt CEQA determination and authorize increase in maximum amount payable under contract with Western Energy & Water for legal services by \$150,000 to an amount not to exceed \$250,000; and report on legal activities related to the future management and operation of Metropolitan's CRA power and transmission resources

Executive Summary

This is a request of the General Counsel's Office to increase contracting authority for an existing agreement with Western Energy & Water to a total of \$250,000, in order to provide legal support for the negotiation of numerous agreements necessitated by Metropolitan's transition to a new framework for managing the resources that power the operation of the Colorado River Aqueduct (CRA).

Details

Metropolitan owns 305 miles of 230 kV transmission lines and six miles of 69 kV lines, which transmit the energy necessary to operate its five pumping stations along the CRA. The energy itself is delivered under long-term power contracts, such as Metropolitan's entitlement to power from Hoover and Parker dams, as well as short-term bilateral power contracts, which are typically entered into under the board-approved WSPP master agreement. In July of 2016, the Board authorized the General Manager to execute the Hoover Electric Service Contract, which guarantees Metropolitan's continued entitlement to Hoover power until October 1, 2067. The contract was fully executed in October 2016.

The Southern California Edison Company (SCE) has managed Metropolitan's energy and transmission resources for the past 30 years, pursuant to a Service and Interchange Agreement (S&IA). The S&IA will terminate on September 30, 2017, coterminous with the expiration of the current Hoover Electric Service Contract. Due to SCE's decision not to renew the transmission services component of the S&IA, Metropolitan has been working with a number of parties to effectuate a transition from the S&IA to successor arrangements that will ensure the continued reliable and efficient management and operation of Metropolitan's CRA power and transmission resources.

Metropolitan is currently engaged in negotiations with the California Independent System Operator Corporation (CAISO), SCE, and the Arizona Electric Power Cooperative, Inc. (AEPSCO) to put into place the agreements that will be necessary for the future management of the CRA power and transmission resources and facilities. Those agreements include the following:

- An operating agreement with the CAISO that will govern such matters as Metropolitan's transactions with third parties within the CAISO's Balancing Authority, emergency operations, load shedding and restoration, telemetry, resource adequacy requirements, and compliance with the North American Electric Reliability Corporation (NERC) reliability standards.

- A transmission interconnection agreement and five interconnection facilities agreements with SCE that will provide the terms and conditions of SCE's continued electrical interconnection to Metropolitan's transmission facilities, including the operation, maintenance, and future modification of both parties' facilities, emergency procedures, planning obligations, and property-related matters.
- A scheduling and trading agreement, a transmission operator services agreement, and a reliability services agreement with AEPCO, pursuant to which AEPCO will manage, optimize, and schedule Metropolitan's power resources, procure short-term energy on Metropolitan's behalf, operate Metropolitan's transmission system, and perform numerous functions related to NERC reliability standards.

While Water System Operations staff and the General Counsel's Office have taken the lead in the drafting and negotiation of these agreements, the General Counsel's Office has employed the services of Western Energy & Water (WE&W) to provide specialized advice and assistance on numerous aspects of the agreements. The principal attorney for WE&W, who previously served as the General Counsel of the CAISO, has also provided input on a variety of policy matters. Going forward, it is anticipated that WE&W will continue to provide advice and assistance related to drafting and negotiating specialized contract terms and conditions, NERC reliability standards, federal energy regulations, filings with the Federal Energy Regulatory Commission, and the development of internal policies, procedures, and programs necessitated by regulatory requirements.

Policy

Metropolitan Water District Administrative Code Section 6431: Authority to Obtain Expert Assistance

California Environmental Quality Act (CEQA)

CEQA determination(s) for Option #1:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination is: The proposed action is not defined as a project and is not subject to the provisions of CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and

Authorize the General Counsel to amend the agreement with Western Energy & Water to increase by \$150,000 the maximum amount payable under the contract to a total of \$250,000 in order to assist Metropolitan with legal services.

Fiscal Impact: Legal costs of up to \$150,000

Business Analysis: The additional resources provided by outside counsel specializing in electric utility work will assist the Legal Department in protecting Metropolitan's interests in the negotiation of the CAISO, SCE, and AEPCO agreements.

Option #2

Do not authorize the General Counsel to amend the agreement and require that all legal services related to the negotiation of the CAISO, SCE, and AEPCO agreements be provided by the Legal Department.

Fiscal Impact: Unknown

Business Analysis: Metropolitan would not receive the benefit of outside counsel's experience and specialized knowledge.

Staff Recommendation

Option #1



Marcia Scully
General Counsel

2/8/2017

Date

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