



- **Board of Directors**  
***Real Property and Asset Management Committee***

8/15/2017 Board Meeting

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**7-4**

## **Subject**

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Adopt CEQA determination and authorize four long-term license agreements to the Southern California Edison Company and one long-term license agreement to Blythe Energy, Inc. for electrical transmission facilities on Metropolitan's fee-owned property in San Bernardino and Riverside Counties

## **Executive Summary**

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Staff is seeking board approval for the General Manager to enter into five separate license agreements, consisting of four license agreements with the Southern California Edison Company (SCE) and one license agreement with Blythe Energy, Inc. (Blythe), for purposes of establishing land use rights in connection with the operation and maintenance of SCE's and Blythe's interconnected facilities at Metropolitan's fee-owned property along the Colorado River Aqueduct (CRA).

## **Timing and Urgency**

The 1987 Service and Interchange Agreement (SIA) between Metropolitan and SCE provides for the interconnection of SCE's electrical system at Metropolitan's Iron Mountain, Eagle Mountain, Hinds, and Gene Pumping Plants. SCE's electrical transmission facilities have been interconnected to Metropolitan's facilities and located on Metropolitan right of way, under prior agreements, since at least the 1950s. The SIA and supplemental interconnection agreements include provisions which allowed for the right of way and access to facilitate the maintenance and operations of SCE and Blythe facilities on Metropolitan's land. However, the SIA and various agreements will expire on September 30, 2017. While SCE has elected not to renew the SIA Agreement with Metropolitan, SCE and Blythe have requested to retain use of Metropolitan's land and all of the existing points of interconnection on Metropolitan's property. These interconnection points will allow SCE to continue to serve its remote retail loads in the desert area and to maintain connections with other entities. The expiration of the SIA will provide an opportunity to negotiate new agreements with SCE and Blythe, providing new market-rate license fees with annual increases. These license agreements will comply with Metropolitan's paramount rights to use the property. SCE and Blythe are requesting to use Metropolitan's land to interconnect, operate, and maintain their interconnected facilities at each pumping plant location by October 1, 2017. Board authorization of these agreements is required because the real property interest to be conveyed exceeds five years.

## **Details**

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### **Background**

Metropolitan's ownership and operation of the CRA and its transmission system is vital to provide Metropolitan's service area with adequate and reliable supply of high-quality water to meet present and future needs in an environmentally and economically responsible way. Metropolitan has five pumping plant facilities along the CRA that connect to the CRA transmission system, namely, Intake, Gene, Iron Mountain, Eagle Mountain, and Hinds Pumping Plants ([Attachment 1](#)). Further, Metropolitan's CRA transmission facilities consists of four substations that are also integrated with SCE's electric system on Metropolitan property via the SIA and various other power agreements which will all terminate concurrently on September 30, 2017.

While SCE elected not to renew the SIA due to changing regulations that have impacted electric utilities, SCE has requested that Metropolitan retain all of the existing points of interconnection and allow SCE's remote retail loads to be served and connections with other entities to continue. Therefore, SCE requires Metropolitan's land to interconnect, operate, and maintain their interconnected facilities at each pumping plant location. SCE's facilities typically include transmission lines, towers, switching stations, transformers, circuit breakers, and other appurtenant equipment. Formal license agreements to SCE for land use and access on Metropolitan's fee-owned properties were not previously established because of the mutual "energy exchange" benefits to both Metropolitan and SCE, and instead access rights were embedded into the SIA-related power agreements.

In 2008, SCE exercised its right to expand their existing facility at Hinds to accommodate an interconnection of the Blythe 230-kilovolt (kV) generation intertie line (Gen-Tie Line). The expansion was established via a Supplemental Facilities Agreement between Metropolitan and SCE with a separate license agreement established between Metropolitan and Blythe to allow them to access, operate and maintain their 230-kV Gen-Tie Line. Once the expansion and its interconnection between SCE and Blythe were completed in 2013, Metropolitan established separate land license agreements with both SCE and Blythe at the Hinds location, which will expire on September 30, 2017.

This action will authorize four license agreements with SCE and one license agreement with Blythe. The four agreements with SCE are for their interconnected facilities located at Metropolitan's Gene, Iron Mountain, Eagle Mountain, and Hinds Pumping Plants. The one agreement with Blythe is for their 230-kV Gen-Tie Line located at Metropolitan's Hinds Pumping Plant. The license agreements were negotiated separately from the power agreements, with a commencement date of October 1, 2017 and termination dates coterminous with the new Transmission Interconnection Agreement (TIA) and the Interconnected Facilities Agreements (IFA) negotiated between Metropolitan and SCE to address future interconnection and operation issues. The key terms to the license agreements are as follows:

- All five license agreements begin October 1, 2017;
- All five license agreements terminate upon the expiration of the related TIA and IFAs between Metropolitan and SCE; and
- Metropolitan retains paramount rights to use the property.

SCE and Blythe will be responsible for costs of appraisals, which will determine license fees based on appraised fair market value, along with annual fee adjustments. All license agreements or notices thereof will be recorded at the San Bernardino and Riverside County Recorder's Offices. Metropolitan determined these agreements will not interfere with Metropolitan's water operations.

## **Policy**

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Metropolitan Water District Administrative Code Section 8230: Grants of Real Property Interests

Metropolitan Water District Administrative Code Section 8231: Appraisals of Real Property Interests

Metropolitan Water District Administrative Code Section 8232: Terms and Conditions of Management

## **California Environmental Quality Act (CEQA)**

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### **CEQA determination for Option #1:**

The proposed action is not defined as a project under CEQA (Public Resources Code Section 21065, State CEQA Guidelines Section 15378) because the proposed action will not cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment and involves continuing administrative activities, such as general policy and procedure making (Section 15378 (b)(2) of the State CEQA Guidelines). In addition, the proposed action is not defined as a project under CEQA because it involves the creation of government funding mechanisms or 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: Determine that the proposed action is not defined as a project under Public Resources Code Section 21065 and Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

**CEQA determination for Option #2:**

None required

**Board Options**

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**Option #1**

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

Authorize Metropolitan to allow the Southern California Edison Company and Blythe Energy, Inc. land use and access rights to their facilities on Metropolitan fee-owned property via license agreements.

**Fiscal Impact:** Initial license fees will be determined based on appraised fair market value, with annual increases

**Business Analysis:** Execution of the license agreements will allow SCE and Blythe continued access and right-of-way to operate and maintain the interconnected facilities and 230-kV Gen-Tie Line on Metropolitan’s property. SCE will continue to serve its remote radial load and remain interconnected with other entities. Metropolitan will benefit by establishing such agreements with annual license fee revenues and updated license provisions that reduce Metropolitan’s potential liability.

**Option #2**

Do not authorize the execution of the license agreements.

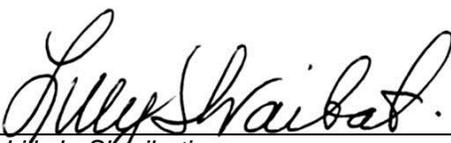
**Fiscal Impact:** Revenue will not be obtained for SCE’s and Blythe’s use of Metropolitan access roads and land, and protective license provisions will not be in place.

**Business Analysis:** Given that the separate power agreements (TIA and IFA) will be effective on October 1, 2017, SCE will have continued access and use of Metropolitan property at no charge and with no land-related agreement in place.

**Staff Recommendation**

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Option #1

	7/31/2017
Lily L. Shjaibati Manager, Real Property	Date

	8/2/2017
Jeffrey Kightlinger General Manager	Date

**Attachment 1 – Location and site map**

# METROPOLITAN WATER DISTRICT TRANSMISSION SYSTEM

NEVADA

CALIFORNIA

Western Area Power Administration (WAPA)

LAKE MEAD

HOOVER

MEAD

Camino Switching Station

Colorado River

ARIZONA

LAKE HAVASU

INTAKE

Western Area Power Administration (WAPA)

GENE

PARKER

IRON MOUNTAIN

EAGLE MOUNTAIN

Colorado River Aqueduct

HINDS

SCE

	MWD 230 kV TRANSMISSION LINES
	OTHER 230 kV TRANSMISSION LINES
	SCE RETAIL LOADS

