



● **Board of Directors**
Engineering and Operations Committee

8/15/2017 Board Meeting

8-7

Subject

Adopt CEQA determination and authorize transmission and facility interconnection agreements with Southern California Edison for the Colorado River Aqueduct electric system

Executive Summary

This action authorizes the execution of one Transmission Interconnection Agreement (TIA) and five Interconnected Facilities Agreements (IFAs) with Southern California Edison (Edison) for the Colorado River Aqueduct (CRA) electric system beginning October 1, 2017. The agreements provide a basis and process for termination, but they do not contain termination dates.

Timing and Urgency

Presently, the Service and Interchange Agreement (SIA) between Metropolitan and Edison provides for the interconnection of Metropolitan's and Edison's electric systems. The SIA will terminate on September 30, 2017. The TIA and IFAs will allow the continued interconnection of the two electric systems and specify the parties' responsibilities and compensation to Metropolitan.

Details

Background

Metropolitan owns a 230,000-volt electric transmission system that provides power to its CRA pumps located in eastern San Bernardino and Riverside Counties. Metropolitan's CRA electric system interconnects to Edison's electric system at the Hinds, Eagle Mountain, Iron Mountain, and Gene Pumping Plants and at the Camino Switching Station (Attachment 1). Each site currently has separate contracts or agreements for the interconnections that will expire at the same time as the SIA on September 30, 2017. These interconnections are mutually beneficially to both parties and provide either transmission links to the electric grid in the Western United States or connections to isolated Edison retail loads.

The contracts and agreements for the existing interconnections have been in place for many years and must be updated and standardized to reflect changed circumstances. The expiration of the SIA provides an opportunity to negotiate new agreements that will specify the responsibilities of both Metropolitan and Edison. Included in the new agreements will be compensation for the services provided by Metropolitan, with annual increases. License agreements have been developed by Metropolitan's Real Property Group and are planned to be presented to the Real Property and Asset Management Committee and the Board at their August 2017 meetings.

Last month the Board authorized execution of two energy and transmission agreements with the Arizona Electric Power Cooperative (AEPSCO), and in June 2017 the Board authorized execution of an operating agreement with the California Independent System Operator (CAISO). Once the agreements with Edison are approved, the contractual arrangements necessary to continue the reliable and efficient operation of the CRA electric system after the termination of the SIA will be finalized.

Metropolitan has negotiated two types of agreements with Edison. The first, a TIA, has provisions that are common to all the interconnections, such as billing procedures, authorized representatives, and planning

requirements. The second type is an IFA for each of the five interconnections. The IFAs contain those provisions that are unique and specific to an interconnection such as compensation, equipment lists, and maps.

Transmission Interconnection Agreement (TIA)

The TIA governs the relationship between Metropolitan and Edison at all of the interconnections of their electric systems and is the primary agreement for the interconnections. It contains provisions that are common to the individual interconnection locations. The key terms and conditions of this agreement are as follows:

- Agreement starts on October 1, 2017 with no termination date.
- Termination provisions are provided, including Metropolitan's right to terminate with advance notification of six years.
- Attachments to the TIA, including billing addresses, operating procedures, and electric diagrams, may be modified by authorized representatives of Metropolitan and Edison.
- Each party is responsible for the operation, maintenance and replacement of their equipment at the interconnections.
- Neither party may adversely impact the other party's electric system.
- Edison shall provide metering and system data to Metropolitan, Metropolitan's Transmission Operator (Arizona Electric Power Cooperative) and the California Independent System Operator.
- Edison indemnifies Metropolitan against any third party claims arising from Metropolitan's performance under the TIA.
- Edison will use its electric equipment to maintain the voltage and power conditions of the parties' electrical systems necessary to comply with regulatory requirements.

Interconnected Facilities Agreement (IFA)

The IFAs provide the unique provisions for each of the five interconnections between Metropolitan's CRA electric system and Edison's electric system at the Hinds, Eagle Mountain, Iron Mountain, and Gene Pumping Plants, and at the Camino Switching Station. The key terms and conditions of the IFAs are as follows:

- Agreements start on October 1, 2017 with no termination date.
- Termination provisions are provided, including Metropolitan's right to terminate with advance notification of six years.
- Termination of the TIA will terminate all IFAs.
- Attachments to the IFAs, including maps and equipment lists, may be modified by authorized representatives of Metropolitan and Edison.
- Edison shall compensate Metropolitan for use of Metropolitan equipment and for services provided at the interconnections.
- Compensation shall be invoiced annually with an annual Consumer Price Index (CPI) escalation.
- Edison shall pay Metropolitan for any new Metropolitan equipment costs that are solely for the benefit of Edison, and Edison shall pay its proportionate share of any facilities that support both Metropolitan and Edison.
- Edison will remove any IFA-associated Edison equipment at its cost at the termination of the IFA.
- The parties plan to discuss the potential sale of Edison equipment to Metropolitan at the Eagle Mountain and Gene Pumping Plant interconnections.

Edison will compensate Metropolitan at each of the five points of interconnection depending upon the services provided by Metropolitan. At Hinds, Eagle Mountain, and Gene, Edison will pay \$425 annually for the administration of the respective IFAs. At Camino and Iron Mountain, Metropolitan provides services in addition to administering the IFAs. Edison will pay approximately \$10,800 annually for these two interconnections. The total annual payment in 2018 will be about \$12,000. The costs will increase annually by the CPI.

Policy

By Minute Item 41941, dated June 11, 1996, the Board adopted the proposed policy principle on Energy/Restructuring.

By Minute Item 47598, dated August 19, 2008, the Board adopted the proposed policy principles on Energy.

California Environmental Quality Act (CEQA)

CEQA determination for Options #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

Option #1

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

Authorize the General Manager to execute the Transmission Interconnection Agreement and the five Interconnected Facilities Agreements with Southern California Edison.

Fiscal Impact: Metropolitan will receive from Edison approximately \$12,000 in 2018 with annual CPI increases thereafter.

Business Analysis: This option will provide for the continued interconnection of Metropolitan's CRA electric system to the regional electric grid, which increases Metropolitan's ability to reliably supply power to the CRA. Also, the conditions under which Edison connects to Metropolitan, including compensation to Metropolitan, are updated and standardized.

Option #2

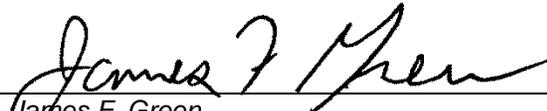
Do not authorize execution of the Transmission Interconnection Agreement and the five Interconnected Facilities Agreements with Southern California Edison.

Fiscal Impact: The anticipated revenue from the agreements would be lost or delayed assuming new agreements could be negotiated.

Business Analysis: Without these agreements and the respective interconnections, Metropolitan's CRA electric system would be less reliable and have less capability to respond to transmission interruptions. Also, Edison would need to implement new methods to serve its local retail loads.

Staff Recommendation

Option #1



James F. Green
Manager, Water System Operations

8/2/2017

Date



Jeffrey Kightlinger
General Manager

8/3/2017

Date

Attachment 1 – Metropolitan CRA Electric System

Ref# wso12658797

METROPOLITAN WATER DISTRICT TRANSMISSION SYSTEM

