

## **BOARD ACTION REQUEST**

**State Water Contractors  
Board of Directors  
December 20, 2018**

### **State Water Project Participation in San Luis Transmission Project**

Requested Action: Authorize the State Water Contractors General Manager to recommend DWR participate in the San Luis Transmission Project (SLTP) at a 50 MW (consistent with the current SWC and DWR joint Business Case) and continue collaboration with DWR to determine the ultimate level of participation.

Background: The United States Bureau of Reclamation (USBR) has requested the Western Area Power Administration (WAPA) develop, construct, own and operate the 600 megawatt (MW) SLTP to serve the USBR and DWR San Luis Joint-Use Facilities (JUF). A federal appropriation is not available to fund the project, so USBR has partnered with Duke America Transmission Company (DATC), to market and finance the project. SLTP is projected to be operational in late 2022 or early 2023.

DATC has proposed SWP participate in the transmission project at 200 MW for a fixed annual fee of \$9,000,000 plus escalating O&M charges starting at \$200,000. After 30 years the SWP will continue to have rights to SLTP at only the cost of O&M. Alternatively, under the status quo CAISO is expected to charge DWR and, in turn, the SWP customers \$7,425,000 for transmission service to the JUF in 2022. Thereafter CAISO transmission charges are projected to rise at historical rates before tapering off after 2030.

To avoid paying transmission charges to both CAISO and SLTP (pancaked rates), power will need to be delivered to the JUF over the SLTP. DWR and SWC have identified power supplies that avoid pancaked transmission charges that justify a level of participation in SLTP, but below 200 MW. That has been communicated to USBR and DATC by DWR.

Implementing this recommendation is expected to lead to negotiating a non-binding Memorandum of Understanding (MOU) with USBR and its marketing agent DATC. The MOU will be followed with negotiations of definitive contracts and continued due diligence of power supplies that deliver over SLTP.

In the course of these negotiations DWR and SWC will obtain additional insight into assumptions and uncertainties that may increase (or decrease) the level of participation. To determine the level of participation and complete the joint Business Cases, SWC will continue to collaborate with DWR during the negotiation and due diligence phase.

The SWC Board Energy Steering Committee will oversee this phase of the project development and remain in close consultation with DWR. The Board will be informed throughout this phase as well.