



September 8, 2017

TO: San Luis & Delta-Mendota Water Authority Finance & Administration Committee

FROM: Jason Peltier, Secretary (by Cheri Worthy)

RE: **Regular Finance and Administration Committee, September 11, 2017, 12:00 p.m.**

Attached for your review, in preparation of the **September 11, 2017, 12:00 p.m., Regular Finance & Administration Committee (FAC)**, are the following documents:

- 1) Notice & Agenda
- 2) Draft August 7, 2017 Meeting Minutes
- 3) Material Related to San Luis Transmission Project
- 4) Memos Related to the Consideration of a New Position – Deputy General Counsel

Thank you, and please give us a call if you have any questions or concerns regarding this information.



**Notice of Regular Finance & Administration Committee Meeting
and
Joint Finance & Administration Committee-Special Personnel Subcommittee
Meeting**

Monday, September 11, 2017, 12:00 p.m.

Boardroom
842 6th Street, Los Banos

[telephonic participation locations identified below]

Agenda

NOTE: Any member of the public may address the Finance & Administration Committee concerning any item on the agenda before or during its consideration of that matter. Public comment is limited to no more than three minutes per person per item. For good cause, the Chair of the Finance & Administration Committee may waive this limitation.

NOTE FURTHER: Items for consideration during the joint meeting are labeled "Joint Finance and Administration Committee and Personnel Subcommittee."

1. Call to Order
2. Finance & Administration Committee to Consider Corrections or Additions to the Agenda for the Regular Finance & Administration Committee Meeting only, as Authorized by Government Code Section 54950 et seq.
3. Opportunity for Public Comment – Any member of the public may address the Finance & Administration Committee concerning any matter not on the Agenda, but within the Finance & Administration Committee's jurisdiction. Public comment is limited to no more than three minutes per person. For good cause, the Chair of the Finance & Administration Committee may waive this limitation.
4. Closed Session: ***Joint Finance & Administration Committee and Personnel Subcommittee***
 - A. PUBLIC EMPLOYEE PERFORMANCE EVALUATION
Title: General Counsel
 - B. PUBLIC EMPLOYEE PERFORMANCE EVALUATION
Title: Executive Director
5. Return to Open Session
6. Report from Closed Session, if any Required by Government Code Section 54957.1

ACTION ITEMS

[FAC Only]

5. **Finance & Administration Committee to Consider Approval of the August 7, 2017 Meeting Minutes**
6. **Finance & Administration Committee to Consider Recommending the Board of Directors Adopt a Resolution Authorizing Execution of a Memorandum of Understanding By and Among Duke-American Transmission Company, LLC and San Luis & Delta - Mendota Water Authority for The San Luis Transmission Project, Mizuno**
7. **Finance & Administration Committee to Consider Recommending the Board of Directors Approve a New Position – Deputy General Counsel, Peltier/Rubin**

REPORT ITEMS

8. Report on Funding Effort for California WaterFix, Peltier/Rubin
9. FY18 Budget to Actual Expenditures Comparison Reports through 7/31/17, Wamocha
10. O&M Self-Funding Update, Mederios

May Include:
 - Update on Outstanding Water Year Financial Issues
 - Update on Current Water Year Financial Issues
11. Financial Audit Update, Mederios
12. Reports Pursuant to Government Code Sec 54954.2
13. ADJOURNMENT

Persons with a disability may request disability-related modification or accommodation by contacting Cheri Worthy or Felicia Luna at the San Luis & Delta-Mendota Water Authority Office, 842 6th Street, P.O. Box 2157, Los Banos, California, telephone: 209/826-9696 at least 3 days before a regular meeting or 1 day before a special meeting/workshop.

Telephonic Participation Locations:¹

Friant Water Authority
Lindsay Main Facility
854 N. Harvard Ave.
Lindsay, CA 93247

San Benito County W.D.
30 Mansfield Rd.
Hollister, CA 95023

500 Capital Mall, Suite 1000
Sacramento, CA 95814

¹ Attention telephonic participants: This Notice and Agenda must be posted at the telephonic participation location, which must be accessible to the public.

SAN LUIS & DELTA-MENDOTA WATER AUTHORITY
MINUTES
FINANCE & ADMINISTRATION COMMITTEE
August 7, 2017

The Finance & Administration Committee of the San Luis & Delta-Mendota Water Authority met at approximately 12:00 p.m. at 842 6th Street in Los Banos with Chairman Bill Pucheu presiding.

FAC Committee Members Present

Ex-Officio

Absent

Division 1

Anthea Hansen, Alternate for Rick Gilmore

Division 2

Bobbie Ormonde, Alternate for Don Peracchi

Division 3

Chris White, Alternate for Jim O'Banion

Division 4

Sara Singleton, Member

Division 5

Bill Pucheu, Chair and Member

Friant Water Authority

Kathy Bennett, Alternate for Jason Phillips (Via Teleconference)

Authority Representatives Present

Jason Peltier, Executive Director

Frances Mizuno, Assistant Executive Director

Jon Rubin, General Counsel

Guy Wamocha, Supervisor of General Accounting

Kathrin Odisho, Supervisor of Operational Accounting

Ara Azhderian, Water Policy Administrator

Others Present

None

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1. **Additions or Corrections to the Agenda**

There were no additions or corrections to the Agenda.

2. **Opportunity for Public Comment**

There was no public comment.

ACTION ITEMS

3. **Committee to Consider Approval of the July 10, 2017 Meeting Minutes.**

The Committee reviewed the July 10, 2017 meeting minutes. Alternate Anthea Hansen made a motion to approve the July 10, 2017 meeting minutes. The motion was seconded by Member Sara Singleton and passed unanimously. The Committee action is reported as follows:

AYES: Hansen, Ormonde, White, Singleton, Pucheu, Bennett
NOES: None
ABSTENTIONS: None

4. **Finance & Administration Committee to Consider Recommending the Board of Directors Accept the Treasurer's Report for the Quarter Ending 6/30/2017.**

Supervisor of General Accounting Guy Wamocha presented the Treasurer's Report for the Quarter ending June 30, 2017 noting the cash balances and composition. Wamocha also reported on the accounts receivable balances. After a brief discussion, Member Sara Singleton made a motion to recommend the Board of Directors to Accept the Treasurer's Report as presented. The motion was seconded by Alternate Chris White and passed unanimously. The Committee action is reported as follows:

AYES: Hansen, Ormonde, White, Singleton, Pucheu, Bennett
NOES: None
ABSTENTIONS: None

5. **Finance & Administration Committee to Review and Consider Recommending the Board of Directors Approve the FY14 Audited Financial Statements.**

Supervisor of General Accounting Guy Wamocha reported to the Committee that during the previous Committee meeting, external auditor William "Bill" Patterson of Sampson, Sampson & Patterson, LLP, CPA had presented the FY14 audited financial statements, with an unqualified opinion, which is the highest opinion awarded in a financial audit. Wamocha reported that the grammatical corrections and activity description clarifications previously identified by the Committee were made to the financial statements. Alternate Anthea Hansen made a motion to recommend to the Board of Directors to accept the FY14 Audited Financial Statements as presented. The motion was seconded by Alternate Chris White and passed unanimously. The Committee action is reported as follows:

AYES: Hansen, Ormonde, White, Singleton, Pucheu, Bennett
NOES: None
ABSTENTIONS: None

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6. Finance & Administration Committee to Consider Recommending the Board of Directors that Approve a New Position – Deputy General Counsel.

Executive Director Jason Peltier & General Counsel Jon Rubin discussed, based on information presented in the memorandum before the Committee, the need for a new position of Deputy General Counsel. After some discussion the Committee did not take any action and the staff indicated that it would provide additional information to assist the Committee in its consideration of the recommendation at the Committee's next meeting.

7. Finance & Administration Committee to Consider Recommending the Board of Directors Adopt Resolution Amending Dates for Meeting of Committees.

Executive Director Jason Peltier & General Counsel Jon Rubin noted to the Committee that the current Committee meeting dates rely on an exception to the general rule established by the previously adopted resolution setting the dates for Committee meetings. They explained that the proposed resolution would amend that previously adopted resolution to have it conform to existing practice. After a brief discussion, Member Sara Singleton made a motion to recommend to the Board of Directors to adopt a resolution amending the dates for meetings of Committees. The motion was seconded by Alternate Anthea Hansen and passed unanimously. The Committee action is reported as follows:

AYES: Hansen, Ormonde, White, Singleton, Pucheu, Bennett
NOES: None
ABSTENTIONS: None

REPORT ITEMS

8. Update on Funding Effort for San Luis Transmission Project.

Assistant Executive Director Frances Mizuno updated the Committee regarding the funding efforts for the San Luis Transmission Project and reviewed a Draft Memorandum of Understanding by and Among Duke-American Transmission Company, LLC and San Luis & Delta –Mendota Water Authority, which presents potential parameters for a possible partnership for the construction of the SLTP. Mizuno noted that the draft MOU will be brought to the Committee at the September meeting for the Committee to consider a recommendation that the Board of Directors authorize execution of the MOU.

9. Update on Funding (dues) for San Joaquin Valley Water Infrastructure Authority.

Water Policy Administrator Ara Azhderian reported to the Committee that the Water Resources Committee had recommended the Board of Directors accept an invitation to join the San Joaquin Valley Water Infrastructure Authority. Azhderian stated that if the Board accepted the invitation, it would result in a \$50,000 initial obligation. Azhderian explained that in order to avoid an amendment of the current fiscal-year budget to accommodate the unanticipated cost, the recommendation to the Board included making payment of the initial obligation in the Authority's next fiscal-year. If the recommendation to join

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is accepted by the Board, the Authority would budget for the payment under the Legislative & CVP Operational Affairs #1 Activity Agreement fund, Azhderian concluded.

10. Update on Funding Effort for C.W. “Bill” Jones Pumping Plant Unit Rewind Project.

Assistant Executive Director Frances Mizuno reported that she had just received a draft repayment contract from the United States Bureau of Reclamation for the funding effort for the C.W. “Bill” Jones Pumping Plant Rewind Project. Mizuno added that she would review the draft and report to the Committee accordingly.

11. FY18 Budget to Actual Expenditures Comparison Reports through 6/30/17

Supervisor of General Accounting Guy Wamocha reported on the budget to actual expenditure comparison report through the month ending June 30, 2017, noting that in total the actual expenses were trending below budget by 14.47% or \$1,381,912 for the activity agreement funds. The line items contributing to positive spending were legal, technical support, In-house salaries, GBD specific and Other Professional Services.

12. O&M Self-Funding Update

Supervisor of General Accounting Guy Wamocha informed the Committee the WY15 Final Accounting will be completed in August and the WY16 draft Accounting was in progress and would be provided to the Contractors for a 30-day review when completed.

13. Financial Audit Update

Supervisor of General Accounting Guy Wamocha reported to the Committee that FY14 audit was complete and would be published by the end of August, 2017. FY15 audit was provided to the Auditor on July 20, 2017. FY16 audit will be provided to the Auditor by November 15, 2017. FY17 and FY18 Audits will be completed during next fiscal year 2019.

14. Reports Pursuant to Government Code Sec 54954.2

None

15. Adjournment

The meeting was adjourned at approximately 1:35 p.m.



DATE: September 11, 2017

TO: Finance and Administration Committee and Board of Directors

FROM: Frances Mizuno, Assistant Executive Director

SUBJECT: Approval of Resolution Authorizing Execution of Memorandum of Understanding By and Among Duke American Transmission Company and San Luis & Delta-Mendota Water Authority

BACKGROUND:

The former transmission contract (2207A) between PG&E and the Federal government provided for transmission capacity from the Tracy Substation to Giannelli, O'Neill, and Dos Amigos facilities, expired on March 31, 2016. Following expiration, transmission/distribution costs for conveying CVP power from Tracy to all pumps increased because facilities began to use the California Independent System Operator (CAISO) transmission system. The costs for transmission are allocated CVP wide. CVP customers' water costs from the power component increased from approximately \$22 million to \$30-\$32 million per year (approximate estimate through year 2021) since major transmission system investments are included in the CAISO Transmission Access Charge (TAC). The members of the San Luis & Delta-Mendota Water Authority (Authority) was allocated an average of at least 61 percent of all PUE costs over the period of 2013-2015. More recent estimates by the United States Bureau of Reclamation (Reclamation) and other outside consultants expect the CAISO TAC to continue to increase based on the of transmission projects in its planning horizon into 2022.

In January 2010, Reclamation submitted a transmission service request (TSR) to the Western Area Power Administration (Western) asking Western to consider transmission service arrangement options to deliver Federal power to the San Luis Unit's primary loads when the transmission contract between Western and PG&E expired. Western evaluated the construction of a new transmission line from Western's CVP system to the San Luis Unit's primary loads. Western and the Authority prepared a joint Environmental Impact Statement (EIS)/Environmental Impact Report (EIR) for the San Luis Transmission Project (SLTP). Western was the lead agency under the National Environmental Policy Act (NEPA) and the Authority was the lead agency for the California Environmental Quality Act (CEQA) review process. The Final EIS/EIR was published in March 2016. The Record of Decision was published in the Federal Register in April 2016 and the Notice of Determination was filed with the State Office of Planning and Research in April 2016. A link to the SLTP documents are available at the following website: <http://www.sltpeis-eir.com/index.html>.

The SLTP is currently proposed to be a 230-kV- up to 800 MW, 83-mile electric transmission line serving the San Luis Unit's primary loads. Detailed engineering started in 2016 and the design is 95% percent complete. The 230-kV SLTP is expected to cost approximately \$263 million for all three segments: Tracy – San Luis, San Luis – O'Neill and San Luis to Dos Amigos. Construction is expected to start by the summer of 2018 assuming funding is secured, and should be on-line by the end of 2021. Western will build, own and operate the transmission line. The transmission capacity can be owned/funded entirely by Reclamation/CVP Contractors or shared with DATC in a partnership arrangement.

BASE CASE- AUTHORITY/RECLAMATION FUND TOTAL COST OF SLTP

The attached Base Case cost analysis shows the annual cost to the CVP for the debt repayment associated with funding 100% of the SLTP and all related assumptions used for the analysis. Also attached is a chart that compares the Base Case cost to the expected range of CAISO cost (i.e. cost with and without SLTP).

DUKE AMERICAN TRANSMISSION COMPANY (DATC) PARTNERSHIP

DATC develops, constructs, owns and operates electric transmission projects. The proposed partnership with DATC would consider the joint development of the 230 KV, up to 800 MW capacity SLTP. DATC is interested in partnering in the Tracy –San Luis and possibility in the San Luis –Dos Amigos segments of the SLTP. The concept for such a partnership provides for the Authority/Reclamation to own/fund 200 MW of transmission capacity rights. DATC would own/fund the remaining transmission capacity, and provide a long-term lease for 200 MW of transmission capacity to Reclamation at a set rate for a total of 400 MW capacity needed for the CVP. The attached draft MOU outlines the principle for the potential partnership.

While the partnership on the 230 KV project is being developed, DATC and the Authority will continue to seek CAISO approval of the 500KV SLTP to maximize the use of the last remaining transmission corridor between Tracy and Los Banos. With a 500KV Project, the CVP could retain 400 MW ownership capacity to meet CVP loads or enter into similar partnership arrangement as the proposed 230KV SLTP. The remaining capacity of 1200 MW will be owned by DATC but would require CAISO to accept the load into their system. CAISO has yet to realize the benefits of building a 500 KV SLTP. The 500 KV SLTP is estimated to be approximately \$550M and therefore the CVP share would be \$140M assuming a 25% share (400 MW). Although building a 500 KV project would delay the construction and in-service date for the project, it will substantially reduce the overall cost to the CVP Contractors. Absent CAISO approval, the 230 KV SLTP will proceed as planned/scheduled.

FINANCING OPTIONS

The funding options for the SLTP are:

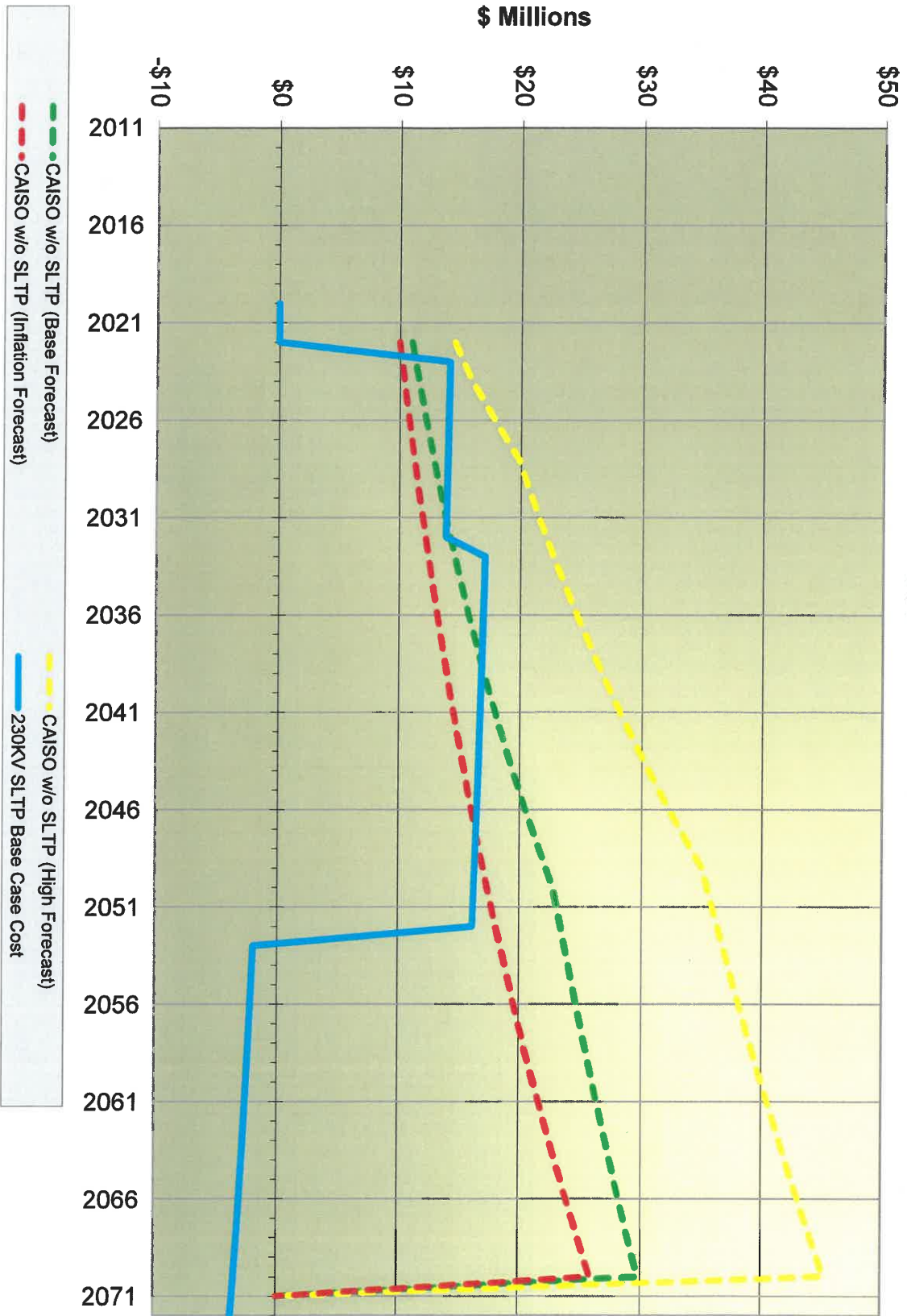
1. Western Area Power Administration – Transmission Infrastructure Program (TIP) Funding - TIP Funding is the lowest interest (2.5%) option. However, this financing is only for a ten year period. Therefore, the loan will need to be refinanced after 10 years.
2. Bond Financing - The TIP loan will need to be refinanced with Bond financing for the remaining 20 years for a total of a 30 year repayment period. Under both TIP and Bond financing, the Authority will likely need to be the applicant for TIP and/or Bond Issuer.
3. Congressional Appropriation - Potential Federal Infrastructure funding particularly for Public/Private Partnerships (P3) projects.
4. Partnership with Duke – American Transmission Company (DATC) Obtain financing through DATC for Authority/Reclamation's share of SLTP.

With all funding options, except for Federal appropriations, a debt repayment obligation agreement will need to be executed between Reclamation and the entity or entities securing the financing. Annual debt repayment obligation will need to be included in the CVP Project Use Energy (PUE) rate which Reclamation will collect and use receipts from CVP Contractors obligated to pay for CVP PUE costs.

ACTION

Staff request the Finance & Administration Committee recommend the Board of Directors adopt a resolution authorizing (1) execution of the draft MOU, subject to such additions, deletions and revisions as the Executive Director may require or approve prior to execution, and (2) such additional actions, as may be reasonably necessary to perform under the final, executed MOU.

CVP Annual Costs (\$Millions) **433 GWH CVP Load**



230 KV SLTP BASE CASE COST ANALYSIS SUMMARY

Year	SLTP Annual Project Cost Summary (4%)						SLTP Annual Project Cost Summary (5%)					
	Tracy- San Luis	Tracy- O'Neil	San Luis- Dos Amigos	Tracy- Dos Amigos			Tracy- San Luis	Tracy- O'Neil	San Luis- Dos Amigos	Tracy- Dos Amigos		
2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1 2023	\$ 10,451,815.17	\$ 11,762,217.10	\$ 2,398,048.97	\$ 14,160,266.07		\$ 10,451,815.17	\$ 11,762,217.10	\$ 2,398,048.97	\$ 14,160,266.07		\$ 10,451,815.17	\$ 11,762,217.10
2 2024	\$ 10,430,415.17	\$ 11,740,817.10	\$ 2,394,048.97	\$ 14,134,866.07		\$ 10,430,415.17	\$ 11,740,817.10	\$ 2,394,048.97	\$ 14,134,866.07		\$ 10,430,415.17	\$ 11,740,817.10
3 2025	\$ 10,408,287.17	\$ 11,718,689.10	\$ 2,389,908.97	\$ 14,108,598.07		\$ 10,408,287.17	\$ 11,718,689.10	\$ 2,389,908.97	\$ 14,108,598.07		\$ 10,408,287.17	\$ 11,718,689.10
4 2026	\$ 10,385,407.61	\$ 11,695,809.54	\$ 2,385,624.37	\$ 14,081,433.91		\$ 10,385,407.61	\$ 11,695,809.54	\$ 2,385,624.37	\$ 14,081,433.91		\$ 10,385,407.61	\$ 11,695,809.54
5 2027	\$ 10,361,752.19	\$ 11,672,154.12	\$ 2,381,190.42	\$ 14,053,344.54		\$ 10,361,752.19	\$ 11,672,154.12	\$ 2,381,190.42	\$ 14,053,344.54		\$ 10,361,752.19	\$ 11,672,154.12
6 2028	\$ 10,337,295.84	\$ 11,647,697.77	\$ 2,376,602.23	\$ 14,024,300.00		\$ 10,337,295.84	\$ 11,647,697.77	\$ 2,376,602.23	\$ 14,024,300.00		\$ 10,337,295.84	\$ 11,647,697.77
7 2029	\$ 10,312,012.72	\$ 11,622,414.64	\$ 2,371,854.75	\$ 13,994,269.39		\$ 10,312,012.72	\$ 11,622,414.64	\$ 2,371,854.75	\$ 13,994,269.39		\$ 10,312,012.72	\$ 11,622,414.64
8 2030	\$ 10,285,876.14	\$ 11,596,278.07	\$ 2,366,942.76	\$ 13,963,220.83		\$ 10,285,876.14	\$ 11,596,278.07	\$ 2,366,942.76	\$ 13,963,220.83		\$ 10,285,876.14	\$ 11,596,278.07
9 2031	\$ 10,258,858.62	\$ 11,569,260.55	\$ 2,361,860.89	\$ 13,931,121.44		\$ 10,258,858.62	\$ 11,569,260.55	\$ 2,361,860.89	\$ 13,931,121.44		\$ 10,258,858.62	\$ 11,569,260.55
10 2032	\$ 10,230,931.79	\$ 11,541,333.72	\$ 2,356,603.59	\$ 13,897,937.31		\$ 10,230,931.79	\$ 11,541,333.72	\$ 2,356,603.59	\$ 13,897,937.31		\$ 10,230,931.79	\$ 11,541,333.72
11 2033	\$ 11,417,014.37	\$ 13,095,204.10	\$ 2,796,620.83	\$ 15,891,824.93		\$ 12,502,091.49	\$ 14,201,320.92	\$ 2,912,836.65	\$ 17,114,157.56		\$ 11,417,014.37	\$ 13,095,204.10
12 2034	\$ 11,387,180.23	\$ 13,065,369.96	\$ 2,790,995.32	\$ 15,856,365.28		\$ 12,472,227.35	\$ 14,171,486.78	\$ 2,907,211.14	\$ 17,078,697.91		\$ 11,387,180.23	\$ 13,065,369.96
13 2035	\$ 11,356,346.23	\$ 13,034,535.97	\$ 2,785,176.66	\$ 15,819,712.63		\$ 12,441,423.35	\$ 14,140,652.78	\$ 2,901,392.48	\$ 17,042,045.26		\$ 11,356,346.23	\$ 13,034,535.97
14 2036	\$ 11,324,480.29	\$ 13,002,670.02	\$ 2,779,158.58	\$ 15,781,828.60		\$ 12,409,557.41	\$ 14,108,786.83	\$ 2,895,374.40	\$ 17,004,161.23		\$ 11,324,480.29	\$ 13,002,670.02
15 2037	\$ 11,291,549.29	\$ 12,969,739.02	\$ 2,772,934.59	\$ 15,742,673.61		\$ 12,376,626.41	\$ 14,075,855.84	\$ 2,889,150.41	\$ 16,965,006.25		\$ 11,291,549.29	\$ 12,969,739.02
16 2038	\$ 11,257,519.12	\$ 12,935,708.85	\$ 2,766,498.01	\$ 15,702,206.86		\$ 12,342,596.24	\$ 14,041,825.66	\$ 2,882,713.83	\$ 16,924,539.49		\$ 11,257,519.12	\$ 12,935,708.85
17 2039	\$ 11,222,354.56	\$ 12,900,544.30	\$ 2,759,841.94	\$ 15,660,386.24		\$ 12,307,431.68	\$ 14,006,661.11	\$ 2,876,057.76	\$ 16,882,718.87		\$ 11,222,354.56	\$ 12,900,544.30
18 2040	\$ 11,186,019.33	\$ 12,864,209.06	\$ 2,752,959.27	\$ 15,617,168.33		\$ 12,271,096.45	\$ 13,970,325.87	\$ 2,869,175.09	\$ 16,839,500.97		\$ 11,186,019.33	\$ 12,864,209.06
19 2041	\$ 11,148,475.97	\$ 12,826,665.71	\$ 2,745,842.67	\$ 15,572,508.38		\$ 12,233,553.09	\$ 13,932,782.52	\$ 2,862,058.49	\$ 16,794,841.01		\$ 11,148,475.97	\$ 12,826,665.71
20 2042	\$ 11,109,685.90	\$ 12,787,875.63	\$ 2,738,484.57	\$ 15,526,360.20		\$ 12,194,763.02	\$ 13,893,992.45	\$ 2,854,700.39	\$ 16,748,692.83		\$ 11,109,685.90	\$ 12,787,875.63
21 2043	\$ 11,069,609.29	\$ 12,747,799.03	\$ 2,730,877.15	\$ 15,478,676.18		\$ 12,154,686.41	\$ 13,853,915.84	\$ 2,847,092.97	\$ 16,701,008.81		\$ 11,069,609.29	\$ 12,747,799.03
22 2044	\$ 11,028,205.10	\$ 12,706,394.84	\$ 2,723,012.38	\$ 15,429,407.22		\$ 12,113,282.23	\$ 13,812,511.65	\$ 2,839,228.20	\$ 16,651,739.85		\$ 11,028,205.10	\$ 12,706,394.84
23 2045	\$ 10,985,431.00	\$ 12,663,620.73	\$ 2,714,881.94	\$ 15,378,502.68		\$ 12,070,508.12	\$ 13,769,737.55	\$ 2,831,097.76	\$ 16,600,835.31		\$ 10,985,431.00	\$ 12,663,620.73
24 2046	\$ 10,941,243.32	\$ 12,619,433.05	\$ 2,706,477.28	\$ 15,325,910.34		\$ 12,026,320.44	\$ 13,725,549.87	\$ 2,822,693.10	\$ 16,548,242.97		\$ 10,941,243.32	\$ 12,619,433.05
25 2047	\$ 10,895,597.06	\$ 12,573,786.79	\$ 2,697,789.56	\$ 15,271,576.35		\$ 11,980,674.18	\$ 13,679,903.61	\$ 2,814,005.38	\$ 16,493,908.99		\$ 10,895,597.06	\$ 12,573,786.79
26 2048	\$ 10,848,445.80	\$ 12,526,635.53	\$ 2,688,809.67	\$ 15,215,445.20		\$ 11,933,522.92	\$ 13,632,752.34	\$ 2,805,025.49	\$ 16,437,777.84		\$ 10,848,445.80	\$ 12,526,635.53
27 2049	\$ 10,799,741.67	\$ 12,477,931.40	\$ 2,679,528.22	\$ 15,157,459.62		\$ 11,884,818.79	\$ 13,584,048.22	\$ 2,795,744.04	\$ 16,379,792.25		\$ 10,799,741.67	\$ 12,477,931.40
28 2050	\$ 10,749,435.33	\$ 12,427,625.06	\$ 2,669,935.51	\$ 15,097,560.57		\$ 11,834,512.45	\$ 13,533,741.87	\$ 2,786,151.33	\$ 16,319,893.20		\$ 10,749,435.33	\$ 12,427,625.06
29 2051	\$ 10,697,475.88	\$ 12,375,665.61	\$ 2,660,021.54	\$ 15,035,687.16		\$ 11,782,553.00	\$ 13,481,782.43	\$ 2,776,237.36	\$ 16,258,019.79		\$ 10,697,475.88	\$ 12,375,665.61
30 2052	\$ 10,643,810.86	\$ 12,322,000.59	\$ 2,649,776.03	\$ 14,971,776.62		\$ 11,728,887.98	\$ 13,428,117.41	\$ 2,765,991.85	\$ 16,194,109.25		\$ 10,643,810.86	\$ 12,322,000.59
31 2053	\$ (1,648,376.99)	\$ (1,648,376.99)	\$ (304,316.34)	\$ (1,952,693.33)		\$ (1,648,376.99)	\$ (1,648,376.99)	\$ (304,316.34)	\$ (1,952,693.33)		\$ (1,648,376.99)	\$ (1,648,376.99)
32 2054	\$ (1,705,617.15)	\$ (1,705,617.15)	\$ (315,257.19)	\$ (2,020,874.34)		\$ (1,705,617.15)	\$ (1,705,617.15)	\$ (315,257.19)	\$ (2,020,874.34)		\$ (1,705,617.15)	\$ (1,705,617.15)
33 2055	\$ (1,764,730.30)	\$ (1,764,730.30)	\$ (326,562.49)	\$ (2,091,292.79)		\$ (1,764,730.30)	\$ (1,764,730.30)	\$ (326,562.49)	\$ (2,091,292.79)		\$ (1,764,730.30)	\$ (1,764,730.30)

34 2056	\$ (1,825,775.73)	\$ (1,825,775.73)	\$ (338,243.91)	\$ (2,164,019.64)	\$ (1,825,775.73)	\$ (1,825,775.73)	\$ (338,243.91)	\$ (2,164,019.64)
35 2057	\$ (1,888,814.60)	\$ (1,888,814.60)	\$ (350,313.46)	\$ (2,239,128.06)	\$ (1,888,814.60)	\$ (1,888,814.60)	\$ (350,313.46)	\$ (2,239,128.06)
36 2058	\$ (1,953,909.95)	\$ (1,953,909.95)	\$ (362,783.54)	\$ (2,316,693.48)	\$ (1,953,909.95)	\$ (1,953,909.95)	\$ (362,783.54)	\$ (2,316,693.48)
37 2059	\$ (2,021,126.77)	\$ (2,021,126.77)	\$ (375,666.93)	\$ (2,396,793.70)	\$ (2,021,126.77)	\$ (2,021,126.77)	\$ (375,666.93)	\$ (2,396,793.70)
38 2060	\$ (2,090,532.09)	\$ (2,090,532.09)	\$ (388,976.83)	\$ (2,479,508.92)	\$ (2,090,532.09)	\$ (2,090,532.09)	\$ (388,976.83)	\$ (2,479,508.92)
39 2061	\$ (2,162,195.00)	\$ (2,162,195.00)	\$ (402,726.82)	\$ (2,564,921.81)	\$ (2,162,195.00)	\$ (2,162,195.00)	\$ (402,726.82)	\$ (2,564,921.81)
40 2062	\$ (2,236,186.73)	\$ (2,236,186.73)	\$ (416,930.92)	\$ (2,653,117.65)	\$ (2,236,186.73)	\$ (2,236,186.73)	\$ (416,930.92)	\$ (2,653,117.65)
41 2063	\$ (2,312,580.74)	\$ (2,312,580.74)	\$ (431,603.59)	\$ (2,744,184.33)	\$ (2,312,580.74)	\$ (2,312,580.74)	\$ (431,603.59)	\$ (2,744,184.33)
42 2064	\$ (2,391,452.73)	\$ (2,391,452.73)	\$ (446,759.74)	\$ (2,838,212.47)	\$ (2,391,452.73)	\$ (2,391,452.73)	\$ (446,759.74)	\$ (2,838,212.47)
43 2065	\$ (2,472,880.77)	\$ (2,472,880.77)	\$ (462,414.73)	\$ (2,935,295.51)	\$ (2,472,880.77)	\$ (2,472,880.77)	\$ (462,414.73)	\$ (2,935,295.51)
44 2066	\$ (2,556,945.35)	\$ (2,556,945.35)	\$ (478,584.42)	\$ (3,035,529.77)	\$ (2,556,945.35)	\$ (2,556,945.35)	\$ (478,584.42)	\$ (3,035,529.77)
45 2067	\$ (2,643,729.42)	\$ (2,643,729.42)	\$ (495,285.14)	\$ (3,139,014.56)	\$ (2,643,729.42)	\$ (2,643,729.42)	\$ (495,285.14)	\$ (3,139,014.56)
46 2068	\$ (2,733,318.53)	\$ (2,733,318.53)	\$ (512,533.75)	\$ (3,245,852.28)	\$ (2,733,318.53)	\$ (2,733,318.53)	\$ (512,533.75)	\$ (3,245,852.28)
47 2069	\$ (2,825,800.86)	\$ (2,825,800.86)	\$ (530,347.61)	\$ (3,356,148.48)	\$ (2,825,800.86)	\$ (2,825,800.86)	\$ (530,347.61)	\$ (3,356,148.48)
48 2070	\$ (2,921,267.32)	\$ (2,921,267.32)	\$ (548,744.65)	\$ (3,470,011.97)	\$ (2,921,267.32)	\$ (2,921,267.32)	\$ (548,744.65)	\$ (3,470,011.97)
49 2071	\$ (3,019,811.61)	\$ (3,019,811.61)	\$ (567,743.34)	\$ (3,587,554.95)	\$ (3,019,811.61)	\$ (3,019,811.61)	\$ (567,743.34)	\$ (3,587,554.95)
50 2072	\$ (3,121,530.36)	\$ (3,121,530.36)	\$ (587,362.71)	\$ (3,708,893.07)	\$ (3,121,530.36)	\$ (3,121,530.36)	\$ (587,362.71)	\$ (3,708,893.07)
	\$ 287,588,299.31	\$ 325,193,503.92	\$ 69,749,149.56	\$ 394,942,653.49	\$ 300,227,232.44	\$ 347,315,840.22	\$ 72,073,465.96	\$ 419,389,306.17

230 KV SLTP TRACY-SAN LUIS BASE CASE COST ANALYSIS ASSUMPTIONS

Tracy - San Luis Project Assumptions	
Cost Assumptions - New Transmission	
Present Worth Project Cost	\$203,175,593
Initial O&M	\$430,000
Annual 3rd Party Debt Service	\$1,000,000
3rd Party Revenue Growth	3%
Financial Assumptions	
Inflation Rate	2.0%
No. of years amortization	30
No. of years Project Life	50
Physical System Assumptions	
Avoided Avg Annual Pumping Energy Load (MWh)	433,000

TIP Funding Assumptions	
Present Worth Project Cost	\$203,175,593
TIP Interest Rate (2016-2032)	2.50%
Capitalized Interest (2018-2022)	\$ 19,438,621.05
Underwriting Fee	\$ 1,000,000.00
Bank Application Fee	\$ 750,000.00
Bank Maintenance Fee	\$ 350,000.00
Debt Service Reserve	\$ 10,700,000.00

SLTP Funding Assumptions	
Balance to be SLTP Funded	\$148,909,476
Underwriting Fee	\$744,547
Bank Application Fee	\$750,000
Other Issuance Cost	\$250,000
Debt Service Reserve	\$13,150,000
SLTP Cost Recovery	\$163,804,023
Annual Bank Maintenance Fee	\$250,000
Cost of Capital (2033-2052)	5.00%
Interest capitalized in 2018-2022	
Principal payments 2023-2052	

230kV SLTP TRACY-O'NEILL BASE CASE COST ANALYSIS ASSUMPTIONS

Tracy - O'Neill Assumptions	
Cost Assumptions - New Transmission	
Present Worth Project Cost	\$216,023,480
Initial O&M	\$430,000
Annual 3rd Party Debt Service	\$1,000,000
3rd Party Revenue Growth	3%
Financial Assumptions	
Inflation Rate	2.0%
No. of years amortization	30
No. of years Project Life	50
Physical System Assumptions	
Avoided Avg Annual Pumping Energy Load (MWh)	433,000

TIP Funding Assumptions	
600 MW Project Cost	\$216,023,480
TIP Interest Rate (2018-2032)	2.50%
Capitalized Interest	\$ 20,667,829.75
Underwriting Fee	\$ 1,000,000.00
Bank Application Fee	\$ 750,000.00
Bank Maintenance Fee	\$ 350,000.00
Debt Service Reserve	\$ 12,000,000.00

SLTP Funding Assumptions	
Balance to be SLTP Funded	\$167,194,207
Underwriting Fee	\$835,971
Bank Application Fee	\$750,000
Bank Maintenance Fee	\$250,000
Other Issuance Cost	\$250,000
Debt Service Reserve	\$14,800,000
SLTP Cost Recovery	\$184,080,178
Cost of Capital (2033-2052)	
Interest capitalized in 2018-2022	5.00%
Principal payments 2023-2052	

230KV SLTP SAN LUIS-DOS AMIGOS BASE CASE COST ANALYSIS ASSUMPTIONS

San Luis-Dos Amigos Assumptions	
Cost Assumptions - New Transmission	
Present Worth Project Cost	\$46,863,313
Initial O&M	\$100,000
Annual 3rd Party Debt Service	\$200,000
3rd Party Revenue Growth	3%
Financial Assumptions	
Inflation Rate	2.0%
No. of years amortization	30
No. of years Project Life	50
Physical System Assumptions	
Avoided Avg Annual Pumping Energy Load (MWh)	433,000

TIP Funding Assumptions	
600 MW Project Cost	\$46,863,313
TIP Interest Rate (2019-2032)	2.50%
Capitalized Interest	\$ 1,171,582.83
Underwriting Fee	\$ 1,000,000.00
Bank Application Fee	\$ 750,000.00
Bank Maintenance Fee	\$ 350,000.00
Debt Service Reserve	\$ 2,500,000.00

SLTP Funding Assumptions	
600 MW Project Cost	\$34,856,597
Underwriting Fee	\$174,283
Bank Application Fee	\$0
Bank Maintenance Fee	\$0
Other Issuance Cost	\$0
Debt Service Reserve	\$3,100,000
SLTP Cost Recovery	\$38,130,880
<hr/>	
Cost of Capital (2033-2052)	5.00%
Interest capitalized in 2019-2022	
Principal payments 2023-2052	

MEMORANDUM OF UNDERSTANDING

by and among

DUKE-AMERICAN TRANSMISSION COMPANY, LLC

and

SAN LUIS & DELTA - MENDOTA WATER AUTHORITY

This Memorandum of Understanding (“MOU”) is entered into by and among Duke-American Transmission Company, LLC (“DATC”) and the San Luis & Delta Mendota Water Authority (“SLDMWA”) (collectively “Parties”, and individually, “Party”) on _____, 2017 (“Effective Date”).

WHEREAS, the SLDMWA, Bureau of Reclamation (“Reclamation”), and the Western Area Power Administration (“WAPA”) are developing a new high voltage transmission line that would create a direct interconnection between the Reclamation’s San Luis Pump-Generation Plant, O’Neil Pump Generation Plant and the Dos Amigos Pumping Plant and WAPA’s Central Valley Project (“CVP”) transmission system (the “San Luis Transmission Project” or “SLTP”).

WHEREAS, on March 20, 2014, the Parties entered into a Memorandum of Understanding to memorialize the Parties’ intentions with respect to a 500 kV option for SLTP (the “Original MOU”).

WHEREAS, WAPA and the SLDMWA prepared an Environmental Impact Statement/Environmental Impact Report (“EIS/EIR”) for the SLTP, which included both a 230 kV and a 500 kV option, and on May 9, 2016, WAPA published a Record of Decision and on April 9, 2017, the SLDMWA issued a Notice of Determination for the San Luis Transmission Project EIS/EIR (the “Final EIS/EIR”).

WHEREAS, the 500 kV option includes a new 500 kV transmission line about 65 miles in length between the new Tracy East and Los Banos West Substations and a new 230 kV transmission line about

20 miles in length between WAPA's existing San Luis Substation and WAPA's existing Dos Amigos Substation, among other project components.

WHEREAS, the 230 kV option includes a new 230 kV transmission line about 65 miles in length between the new Tracy East and Los Banos West Substations and a new 230 kV transmission line about 20 miles in length between WAPA's existing San Luis Substation and WAPA's existing Dos Amigos Substation, among other project components.

WHEREAS, WAPA has developed cost estimates for 230 kV SLTP. The estimates for each segment of the proposed SLTP are as follows:

1. Tracy-San Luis 230 kV - \$203,175,593
2. San Luis-O'Neill - \$12,847,887
3. San Luis – Dos Amigos - \$46,863,313

WHEREAS, the Parties wish to terminate and supersede in its entirety the Original MOU by this MOU to provide for the cooperation and delegation of responsibilities for certain components of the SLTP specified herein.

NOW, THEREFORE, in consideration of the mutual promises and conditions herein contained, the Parties agree as follows:

1. **Original MOU**

The Original MOU is hereby terminated and superseded by this MOU.

2. **Cooperation**

Each Party shall cooperate with the other in the fulfillment of each Party's respective obligations under this MOU, including but not limited to the development of certain components of the SLTP. For purposes of this MOU, the Parties agree to cooperate on the Tracy-San Luis segment of the 230 kV option, but not in the San Luis-O'Neil (70-kV segment). The Parties agree to

discuss in good faith possible cooperation in developing the San Luis-Dos Amigos section of the 230 kV option. In addition, and as discussed in greater detail below, the Parties will also continue to evaluate the 500 kV option for a limited period of time.

The Parties will make a final determination on whether to execute a joint project agreement consistent with this MOU for the development of the 230 kV or the 500 kV option no later than December 31, 2017.

3. **Role of WAPA**

- a. WAPA shall be responsible for constructing all components of the SLTP as contemplated in the Final EIS/EIR.
- b. WAPA shall own the physical assets and become the operations and maintenance provider.

4. **Role of SLDMWA**

- a. SLDMWA shall provide DATC with a detailed cost estimate of pursuing the various SLTP segments absent any involvement by DATC in project development.
- b. SLDMWA will develop and provide DATC with the annual cost estimate for a 30-year period, which shall include the expected annual costs for each segment.
- c. SLDMWA shall review DATC's cost estimate contemplated herein, and determine subject to the SLDMWA's sole discretion whether to execute a project development agreement with DATC.
- d. SLDMWA or Reclamation shall own transmission service rights for 200 MW.
- e. SLDMWA or Reclamation shall be responsible for financing either: (1) the amount of total project costs (including planning, right-of-way procurement, construction and legal costs) equal to its respective transmission service rights as a percentage of the total transfer capacity as determined by WAPA at the time of construction; or (2) 1/3 of the total project costs (including planning, right of way, procurement, construction, and legal

costs). The Parties agree to negotiate in good faith an equitable cost sharing arrangement based on WAPA's final determination of the total transfer capacity for the Tracy-San Luis segment and potentially the San Luis – Dos Amigos segment of the 230-kV option.

- f. SLDMWA may apply to the Department of Energy's Transmission Infrastructure Program to obtain financing for costs associated with transmission service rights for 200 MW.
- g. SLDMWA or Reclamation shall enter into a thirty (30) year term contract for the use of 200 MW of DATC's transmission service rights, as contemplated herein.

5. **Role of DATC**

- a. After reviewing SLDMWA's cost estimates contemplated herein, DATC will prepare a detailed, non-binding cost estimate for the components of the SLTP subject to this MOU.
 - i. DATC will provide a cost estimate based upon the WAPA provided project materials; and
 - ii. DATC will provide a cost estimate based upon its active engagement and participation in the final design, procurement, and construction of the SLTP.
- b. DATC shall be responsible for financing either: (1) the amount of total project costs (including planning, right-of-way procurement, construction and legal costs) equal to its respective transmission service rights as a percentage of the total transfer capacity as determined by WAPA at the time of construction; or (2) 2/3 of the total project costs (including planning, right of way, procurement, construction, and legal costs). The Parties agree to negotiate in good faith an equitable cost sharing arrangement based on WAPA's final determination of the total transfer capacity for the Tracy-San Luis segment and potentially San Luis – Dos Amigos segment of the 230-kV option.
- c. DATC shall own transmission service rights for all transmission rights in the SLTP less SLDMWA's or Reclamation's 200 MW of transmission service rights, and potentially any capacity share owned by WAPA, if required.

- d. DATC shall enter into a thirty (30) year term transmission sales contract with SLDMWA or Reclamation for SLDMWA's or Reclamation's use of 200 MW of DATC's transmission service rights at an annual rate to be agreed upon at a future date.
- e. At the end of the thirty (30) year term transmission sales contract, DATC shall transfer 200 MW of transmission service rights to SLDMWA or Reclamation for \$1.00.
- f. DATC shall work with SLDMWA and Reclamation in good faith to negotiate an alternative financing structure, wherein SLDMWA or Reclamation may not be able to finance any of the project costs and instead works with DATC to finance the total project costs, and DATC will enter into a thirty (30) year term contract for a total of 400 MW of transmission service rights.
- g. DATC may apply to the Department of Energy's Transmission Infrastructure Program to obtain financing for its share of the project costs.

6. SLTP 500 kV Options

- a. The Parties commit to continue pursuit of the 500 kV option permitted by WAPA.
- b. A 500 kV option will be pursued if benefits can be derived for both Parties and both Parties mutually agree to move forward with the project. Should the Parties mutually agree to pursue a 500 kV option, the Parties agree to negotiate a project development agreement in good faith that appropriately addresses the cost impacts to SLDMWA associated with pursuing a 500kV project.

7. Successor Agreements

- a. Subject to the approval of each of the Parties, the Parties agree to work in good faith to execute a project development agreement with WAPA, under which each Party would contract for its respective transmission service capacity share of the SLTP, and WAPA would proceed with the right-of-way phase and the construction phase.

- b. Subject to approval of each of the Parties, the Parties agree to work in good faith to execute a thirty (30)-year transmission sales contract between DATC and SLDMWA or Reclamation, as contemplated in Section 5d of this MOU.

8. Funding Allocation

- a. Each Party has been responsible for its own costs during the WAPA Open Access Transmission Service Tariff (OATT) study phase and the environmental phase. The Parties agree that SLTP costs incurred during the study phase and the environmental phase have been borne by the CVP contractors and Reclamation and shall be funded by CVP contractors and Reclamation on an ongoing basis. Upon execution of a project development agreement, DATC will contribute its share of the funding for the Prudently Incurred Costs of the SLTP in an amount equal to its transmission service rights of the SLTP, and in accordance with a project development agreement. “Prudently Incurred Costs” shall include all expenses incurred and paid to WAPA by Reclamation that are directly related to WAPA’s work activities associated with the preparation of the Final EIS/EIR design of the SLTP.

9. Miscellaneous

- a. This MOU identifies roles and responsibilities of the Parties in working together toward the execution of a project development agreement for the SLTP, but does not bind either Party to project implementation. The Parties intend that they be bound to the duties and obligations set forth in Section 9 hereof. Except as expressly set forth in Section 9, the Parties intend that this MOU represent only an expression of the Parties’ present intent to work together in good faith in pursuit of the SLTP, and to negotiate the agreements contemplated herein. Except for the terms listed in Section 9, this MOU does not create a legally enforceable agreement or any rights, duties, obligations, or liabilities whatsoever.

- b. Exclusivity. SLDMWA shall work exclusively with DATC during the Term of this MOU.
- c. Term. The term (“Term”) of this MOU commences on the Effective Date and shall terminate on the earlier of:
- i. the date either Party notifies the other Party in writing to terminate the MOU;
 - ii. the date the Parties mutually agree in writing to terminate the MOU;
 - iii. the date that one or more definitive agreements (including a project development agreement) with respect to the SLTP are executed; or
 - iv. three (3) years from the date hereof.
- d. Confidentiality. Except as required by law applicable to the SLDMWA, including but not limited to, CEQA (Public Resources Code 21100, et seq.), the California Public Records Act (Govt. Code 6250, et seq.), and the Brown Act (Gov. Code ___), the Parties agree that the provisions relating to the exchange of “Confidential Information” as that term is set forth in that certain Confidentiality and Non-Disclosure Agreement dated July 28, 2014 between the Parties (the “Confidentiality Agreement”) shall apply to the Parties’ discussions and actions under this MOU and the delivery, receipt and treatment of all Information indicated by the Parties to be “Confidential” and disclosed by the Parties in connection with this MOU. Neither Party shall issue any press release or make any public disclosure about the relationship of the Parties or execution of this MOU without the other Party’s consent, which consent shall not be unreasonably withheld.
- e. Assignment. Neither Party may sell, assign or otherwise transfer its interest in this MOU or any of its duties or obligations under this MOU without the prior written consent of the other Party, which consent the other Party may grant or withhold in its sole discretion. Notwithstanding the foregoing, DATC may form a wholly-owned, project-specific subsidiary with respect to its rights and obligations in connection with the SLTP, and may assign its interest in this MOU to such subsidiary.

- f. No Joint Venture. The covenants, obligations and liabilities of the Parties are intended to be severable and not joint or collective and nothing in this MOU is intended to create an association, partnership, joint venture or other joint enterprise between the Parties and/or any other person. Neither Party is authorized to enter into agreements or make commitments with third parties as agent for the other Party; provided, that this term shall not prevent SLDMWA from entering into agreements with its member agencies that it deems required to implement the SLTP or this MOU.
- g. Notices. All notices, demands or other communications required or desired to be given under this MOU by either Party must be in writing and will only be deemed to have been fully given: (i) upon receipt, if hand delivered; (ii) three (3) business days after the deposit thereof at any main branch United States Post Office, if sent by United States registered or certified mail, return receipt requested; (iii) on the first business day following deposit thereof at the office or drop box of a nationally recognized overnight delivery service, if sent by such service; (iv) upon confirmation of receipt, if sent by email, addressed to the Party receiving notice at the address set forth below their signature.
- h. Governing Law. The laws of the State of California govern the validity, performance and enforcement of this MOU and the Parties intend that this MOU be construed in accordance with California law without regard to conflicts of laws principles.
- i. Interpretation. Whenever the singular number is used, the same shall include the plural. The section headings appearing in this MOU are inserted only as a matter of convenience and in no way define, limit, construe or describe the scope or intent of such sections or paragraphs of this MOU or in any way affect this MOU.
- j. Severability. If any term or provision of this MOU is determined to be unenforceable or invalid for any reason, this MOU will terminate. Provided, however, upon a determination that any term or provision of this MOU is unenforceable or invalid, the

Parties shall negotiate in good faith to negotiate a new memorandum of understanding in a manner most closely reflecting the Parties’ intent reflected in the MOU.

- k. Counterparts and Electronic Signatures. This MOU may be executed in any number of counterparts, any or all of which may contain the signature of any one of the Parties and all of which will be construed together as a single instrument. An electronic signature on this MOU (or copies of signatures sent by electronic means) is deemed to be sufficient evidence of a Party’s action or intent.

10. Signatures

By signing below, each respective Party represents its agreement to the terms of this MOU.

SAN LUIS & DELTA -MENDOTA WATER AUTHORITY

_____	_____
Name	Date

DUKE-AMERICAN TRANSMISSION COMPANY, LLC

_____	_____
Name	Date

[NOTE: Section9.g. contemplates that each party will list its address for notices in the signature block]

SAN LUIS & DELTA-MENDOTA WATER AUTHORITY

RESOLUTION NO. 2017-

**RESOLUTION AUTHORIZING EXECUTION OF
A MEMORANDUM OF UNDERSTANDING BY AND AMONG
DUKE-AMERICAN TRANSMISSION COMPANY, LLC AND
SAN LUIS & DELTA - MENDOTA WATER AUTHORITY**

WHEREAS, the San Luis & Delta-Mendota Water Authority (“Authority”), United States Bureau of Reclamation (“Reclamation”), and the Western Area Power Administration (“WAPA”) are developing a new high voltage transmission line that would create a direct interconnection between the Reclamation’s San Luis Pump-Generation Plant, O’Neil Pump Generation Plant and the Dos Amigos Pumping Plant and WAPA’s Central Valley Project (“CVP”) transmission system (the “San Luis Transmission Project” or “SLTP”).

WHEREAS, WAPA and the SLDMWA prepared an Environmental Impact Statement/Environmental Impact Report (“EIS/EIR”) for the SLTP, which included both a 230 kV and a 500 kV option, and on May 9, 2016, WAPA published a Record of Decision and on April 9, 2017, the SLDMWA issued a Notice of Determination for the San Luis Transmission Project EIS/EIR (the “Final EIS/EIR”).

WHEREAS, the 230 kV option includes a new 230 kV transmission line about 65 miles in length between the new Tracy East and Los Banos West Substations and a new 230 kV transmission line about 20 miles in length between WAPA’s existing San Luis Substation and WAPA’s existing Dos Amigos Substation, among other project components.

WHEREAS, the 500 kV option includes a new 500 kV transmission line about 65 miles in length between the new Tracy East and Los Banos West Substations and a new 230 kV transmission line about 20 miles in length between WAPA’s existing San Luis Substation and WAPA’s existing Dos Amigos Substation, among other project components.

WHEREAS, the Authority and Duke American Transmission Company (“DATC”) have discussed potential partnerships in the transmission capacity for the SLTP.

WHEREAS, the Authority and DATC have discussed, for a 230 kV facility (with up to 800 MW capacity), either Reclamation or the Authority would own 200 MW and DATC would own the remaining transmission capacity, with a long-term lease of 200 MW capacity for use by Reclamation for use by the CVP and DATC having the exclusive rights to all the additional capacity.

WHEREAS, the Authority and DATC have also discussed, for a 500 kV facility (with up to 1,600 MW capacity), with possible similar arrangements, with the CVP having access to 400 MW of capacity – 200 MW of capacity would be owned by Reclamation or the Authority and 200 MW capacity owned by DATC – and DATC having the exclusive rights to all of the additional capacity.

WHEREAS, to memorialize the commitment by the Authority and DATC to explore the potential partnership, the Authority and DATC prepared the attached draft Memorandum of Understanding by and among Duke-American Transmission Company, LLC and San Luis & Delta-Mendota Water Authority (“SLTP MOU”), a copy of which has been presented to the Board and is on file with the Secretary hereof.

NOW, THEREFORE, BE IT RESOLVED, AS FOLLOWS, THAT:

Section 1. Declaration of Board. The Board hereby specifically finds and declares that the statements, findings, and determinations of the Authority set forth in the preambles above are true and correct.

Section 2. Authorization to Execute the SLTP MOU. The Board hereby approves the SLTP MOU in substantially the form presented to the Board, and the Executive Director and the Assistant Executive Director are authorized to execute the SLTP MOU subject to such additions, deletions and revisions as the executive officers may require or approve prior to execution.

Section 3. Additional Actions. The Executive Director and any Authority employee or consultant as he shall designate are further authorized to take such additional actions, including the execution of such additional documents, as may be reasonably necessary to perform under the SLTP MOU.

PASSED AND ADOPTED this 14th day of September, 2017, by the following vote:

AYES:

NAYS:

ABSTAIN:

CANNON MICHAEL, Chairman
SAN LUIS & DELTA-MENDOTA WATER AUTHORITY

Attest:

JASON PELTIER, SECRETARY

I hereby certify that the foregoing is a true and correct copy of a resolution duly adopted by the San Luis & Delta-Mendota Water Authority, a California joint powers agency, at meeting of the Board of Directors thereof duly called and held at the office of the Authority on the 14th day of September, 2017.

JASON PELTIER, Secretary
SAN LUIS & DELTA-MENDOTA WATER AUTHORITY



Box 2157, Los Banos, CA 93635

Phone: 209 826 9696 Fax: 209 826 9698

MEMORANDUM

TO: Members, Water Resources Committee & Finance and Administration Committee

From: Jason Peltier, Executive Director
Jon Rubin, General Counsel

DATE: August 31, 2017

Re: Additional Information to Assist with Considerations Regarding The Creation of a New Position – Deputy General Counsel

I. Request

What areas would a Deputy General Counsel provide assistance?

II. Response

As previously presented, we anticipate a Deputy General Counsel would assist on a variety of legal matters concerning administration and activities within and outside the Water Authority. Examples of “internal” matters with which the Deputy General Counsel would provide support concern compliance with the Ralph M. Brown Act, responding to California Public Record Act requests, drafting Board resolutions and contract/agreement drafting and review. “External” areas where the Deputy General Counsel would support the General Counsel include: (1) administrative/regulatory actions proposed by federal or state agencies, (2) quasi-adjudicatory proceedings before state agencies, and (3) transactions between the Water Authority and federal, state and local agencies.

The Water Resources Committee and Finance and Administration Committee requested additional information regarding the recommendation to create the Deputy Counsel position.

Specifically, the Water Resources Committee requested additional information on type of work the Deputy General Counsel may perform, and the Finance and Administration Committee requested additional information on the amount of work that may be available for the Deputy General Counsel. In response to those requests, we initially looked to the Water Authority's FY18 budget and conducted what might be described as a hind-cast – we attempted to estimate how much of the budgeted outside counsel work could have been done in house, if the Water Authority had a Deputy General Counsel at the time of budgeting. The following table provides the results of that hind-cast:

Activities in Outside Counsel Budgets	Approximate Hours in Outside Legal Counsel Budgets	Amount of "Billable" Hours Could Be Performed By In House Legal Counsel
General Counsel Support	200	200
General Regulatory Matters	115	100-125
Communication with Board and Committees	De Minimus	50
Litigation Support	3,150	200-250
Re-initiation of Consultation	85	100-200
SGMA	85	50-100
SWRCB	650-700	500
WaterFix	1,000	150-200
Water Transfers	30-35	20-100
Total		1370-1725

In addition, activities that were not directly within outside counsel budgets, but for which the Water Authority would benefit from additional support by a Deputy General Counsel are addressed in the following table:

Activities Not Within Budgets for Outside Counsel	Amount of "Billable" Hours
Drainage Authority/Grasslands Basin Activity Agreement	150
Delta Stewardship Council	150
Regional Water Quality Control Board	150
Reclamation policies and procedures	100
U.S. EPA	100
Additional General Counsel support	100-200
Total	750-850

The hours presented in the tables above are effectively "billable" hours. We estimate that 1,800 hours translates to the amount of time needed to keep one person busy for one year.

The monetary saving associated with a Deputy General Counsel performing legal work, as opposed to outside counsel, could be \$145-\$160 per hour and thus the annual savings could be \$268,250 ($\$145 \times 1,850$ hours) to \$296,000 ($\$160 \times 1,850$).

Most of the activities identified in the tables are expected to continue into the foreseeable future. And, while the amount of time dedicated to some activities may lessen, the amount of time dedicated to other activities is likely to increase. For that reason, as well as based on the data provided in the memorandum from last month, we believe it is reasonable to anticipate the level of work available for a Deputy General Counsel will continue.

A copy of the prior memorandum provided to the Committee is attached.



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MEMORANDUM

TO: Members, Water Resources Committee
Members, Finance and Administration Committee

From: Jason Peltier, Executive Director
Jon Rubin, General Counsel

DATE: August 4, 2017

Re: Considerations Regarding The Creation of a New Position – Deputy General Counsel

I. Question

Should the Water Authority create and fill a new “Deputy General Counsel” position?

II. Recommendation

Yes, the Executive Director and General Counsel recommend that the Board of Directors: (1) create a new position of Deputy General Counsel and (2) direct the Executive Director to proceed through the hiring process to fill the position.

III. Legal Work

A. Workload Considerations

If the Water Authority created and filled such a position, a substantial amount of work currently performed by outside counsel would be performed “in house” and, depending on the qualification of the person hired, much of the work would shift from “outside” to “in house” counsel relatively quickly.

“Internal” matters in which the Deputy General Counsel would provide support include: (1) California Public Record Act request and Ralph M. Brown Act compliance, and (2) contracting. Some of the “external” areas where the Deputy General Counsel would support the General

Counsel include: (1) proceedings before the State Water Resources Control Board, (2) Endangered Species Act implementation, and (3) Reclamation's law and other federal law-related matters that many effect member agency water supply.

Related, the Water Authority recently learned that Diane Rathmann will significantly reduce the amount of time she dedicates to the practice of law. As a result, General Counsel will need to engage to a greater degree on matters involving the Grassland Basin Drainers and the San Joaquin Valley Drainage Authority, as well as other matters in which Ms. Rathmann has devoted the majority of her time, such as water transfers/exchanges. A Deputy General Counsel could assist with meeting the demands resulting from Ms. Rathmann's decision.

B. Extent of Legal Expenditures

The legal work performed by outside counsel has been consistent. The following table provides legal fees incurred by the Water Authority from its main outside legal counsel (KMTG, Linneman, Diepenbrock, Pioneer, Brownstein) since Fiscal Year 2010:

FY2010	Approximately \$ 3,000,000
FY2011	Approximately \$ 3,100,000
FY2012	Approximately \$ 2,300,000
FY2013	Approximately \$ 1,300,000 ¹
FY2014	Approximately \$ 1,600,000
FY2015	Approximately \$ 2,000,000
FY2016	Approximately \$ 1,400,000
FY2017	Approximately \$ 1,500,000

C. Potential Financial Savings

The addition of a Deputy General Counsel would allow the Water Authority to conduct legal work at a cost per hour lower than the cost if performed by outside counsel. Based on an assessment of the likely salary ranges for a Deputy General Counsel, we anticipate an initial annual cost reduction of approximately \$130,000 based on what the Water Authority is currently paying associates/junior partners at firms that serve as outside counsel.

V. Additional Consideration

Notwithstanding the existing and foreseeable work load, the creation and filing of a new Deputy General Counsel position, even though like other employees would be "at will", should be viewed as a long-term commitment/investment.

¹ First year in which the Water Authority had "in-house" legal counsel.