THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

- **Board of Directors**
  Engineering, Operations, and Technology Committee

11/18/2025 Board Meeting

8-5

Subject

Authorize the General Manager to enter into an agreement with Intersect Power, LLC for mitigation of impacts to the Colorado River Aqueduct Transmission System; the General Manager has determined that the proposed action is exempt or not subject to CEQA [conference with legal counsel regarding anticipated litigation based on existing facts and circumstances, including potential allegations of a breach of an agreement, there is significant exposure to litigation against Metropolitan: one or more potential cases; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(2)]

Executive Summary

Metropolitan is currently conducting its first affected system study for renewable energy generating projects that propose to interconnect to the California Independent System Operator's (CAISO) transmission system, and which the CAISO has identified may affect Metropolitan's Colorado River Aqueduct Transmission System (CRATS). Staff has negotiated an Affected Systems Swap and Indemnification Agreement (Agreement) with Intersect Power, LLC (Intersect), one of the interconnecting generators, to mitigate potential impacts from its project on the CRATS. The Agreement protects Metropolitan by providing for the continued safe and reliable operation of the Colorado River Aqueduct Transmission System (CRATS) while enabling Intersect to proceed with development of the first phase of its solar generation and battery storage project. The Agreement enables Intersect to address certain commercial requirements on an expedited basis consistent with its project's development schedule. The Agreement helps the State achieve its goal to improve the reliability of the electric system and meet the State's climate change policy goals by ensuring Intersect's project advances in a timely way.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Authorize the General Manager to enter into an agreement with Intersect Power, LLC for mitigation of impacts to the Colorado River Aqueduct Transmission System.

Fiscal Impact: None
Business Analysis: Approving the proposed agreement will allow Intersect to proceed with its project while protecting Metropolitan's water and power operations.

Option #2

Do not authorize the agreement.
Fiscal Impact: None
Business Analysis: Intersect has informed Metropolitan that this would disrupt construction activities for Phase 1 of Intersect's Easley project and could impair the project's viability.

Alternatives Considered

Staff investigated accelerating the timeline of the cluster study to meet Intersect's schedule requirements; however, this was not feasible due to the scope and complexity of the study work involved.

Applicable Policy

Metropolitan Water District Administrative Code Section 8121: General Authority of the General Manager to Enter Contracts

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Action(s)

Staff will present the results of the cluster study and any applicable mitigation agreement terms likely in the first quarter of 2026.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

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. (State CEQA Guidelines Section 15378(b)(4).)Select text and start typing CEQA statement here

CEQA determination for Option #2:

None required

Details and Background

Background

Federal and state law implemented by the Federal Energy Regulatory Commission (FERC) and the CAISO requires developers of new or substantially modified electric generation projects that are interconnecting to the CAISO transmission system to coordinate with "affected systems." An affected system is generally a neighboring transmission owner whose electric transmission system may be impacted by changes, including the interconnection of new generating resources, to the CAISO system. Under FERC policy and consistent with the CAISO tariff, developers of new resources may be required to pay for the affected system operator to conduct a study of affected system impacts and, if the study results show that there is a reliability impact to the affected system due to the interconnection of the new resource, to mitigate those impacts. Mitigation may include, for example, funding upgrades on the neighboring system or participation in operating procedures that are designed to address the impacts. The CAISO requires interconnecting resources to coordinate and address affected system impacts before commencing commercial operations.

During the second half of 2024, Metropolitan received an influx of requests by resource developers interconnecting to the CAISO (and, in one instance, the Western Area Power Administration's electric system) for affected system assessments. To efficiently study this group of resources, staff initiated a study of a "cluster" consisting of ten generation projects that potentially have impacts on the continued safe and reliable operation of the CRATS. The purpose of the affected system study is to determine each project's impact (energy flow and stability) on the CRATS and identify appropriate mitigation measures through engineering studies. The studies will also provide the engineering cost estimate for the identified mitigation measures. Under the methodology that Metropolitan has developed for its affected system study, each project's relative impact on the CRATS will be used to allocate the cost of mitigation measures among the group of generators in the study. The affected system study is expected to be complete in the first quarter of 2026.

Metropolitan understands that one of the projects included in the affected system study cluster—Intersect's "Easley" project—is proceeding quickly with development activities and started construction in June. The Easley project includes 350 MW of solar capacity and 650 MW of battery storage capacity. Located near Metropolitan's Eagle Mountain Pump Plant, the Easley project would interconnect directly to a section of the transmission system owned by Southern California Edison Company that is part of the CAISO-controlled transmission grid. Metropolitan has been informed by Intersect that the current affected system study, which, as noted above, is scheduled to be complete in early 2026, will not be finished in time to enable Intersect to meet certain commitments under its project financing arrangements, including estimation of the costs of any upgrades or other mitigation needed to address and resolve reliability impacts on the CRATS. Intersect advised Metropolitan that it is obligated to obtain this information by the end of October, or it will be required to stop work on the Easley project. This timing requirement under Intersect's commercial arrangements does not allow sufficient time for Metropolitan and Intersect to reach agreement on key material terms (such as the scope and cost of mitigation), which can only occur after Metropolitan's affected system study is complete.

In order to finalize and secure project financing for Phase 1 of the Easley project (consisting of 350 MWs), meet project development milestones, and satisfy pending obligations for executed power purchase agreements, Intersect brought forward a proposal to mitigate the Easley project's impacts on the CRATS. Intersect acquired 200 MWs of generating capacity in another project that Metropolitan previously determined would not require mitigation to address adverse impacts on the CRATS. Because this project apparently will not proceed to development and intends to withdraw from the CAISO interconnection process, Intersect proposes to substitute Phase 1 of the Easley project for this project's "previously approved" capacity. Staff confirmed, through technical modeling, that the proposed capacity swap mitigates the impacts of Intersect's project on the CRATS. This exchange will not apply to any subsequent phase of the Easley project, which will remain part of the Metropolitan's affected system study and subject to any mitigation requirements that are deemed by Metropolitan to be required once the study is complete.

Metropolitan has not had reason to address this type of transaction before, and it is not obligated to accept this exchange arrangement as mitigation for impacts of the Easley Phase 1 project to the CRATS. However, staff is recommending authorization of an Affected Systems Swap and Indemnification Agreement so the Easley project may proceed with development consistent with its commercial obligations. Staff understands that the Easley project will advance the State's climate change policy goals.

It is possible that other projects in the current affected system cluster study may propose similar arrangements in the future. Metropolitan may consider such proposals under limited conditions that are comparable to the circumstances underlying the Intersect proposal: a generator must already have an executed affected system study agreement with Metropolitan that is in good standing; a project must have commenced construction by August 31, 2025; the CAISO must determine that this arrangement will resolve Metropolitan's affected system claim; the generator must secure capacity from an already-approved project on its own (*i.e.*, Metropolitan will not broker or organize these types of arrangements), provide Metropolitan with a copy of the executed agreement securing the capacity, and demonstrate to Metropolitan, through technical modeling, that the proposed swap mitigates the generator's impact on the CRATS; and the previously approved resource must withdraw from the CAISO (or other host transmission provider) interconnection process. Staff will formulate these and any other applicable requirements into a written policy for use going forward.

This action authorizes an Affected Systems Swap and Indemnification Agreement with Intersect Power, LLC for mitigation of impacts to the CRATS.

Keith Nobriga 10/31/2025

Keith Nobriga *Date*
Group Manager, Integrated Operations
Planning & Support Services

John V. Bednarski 10/31/2025

John V. Bednarski *Date*
Interim General Manager

Ref# wso12702090