



ANTONIO R. VILLARAIGOSA
Mayor

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RONALD O. NICHOLS
General Manager

March 12, 2013

The Honorable City Council
City of Los Angeles
Room 395, City Hall
Los Angeles, California 90012

Honorable Members:

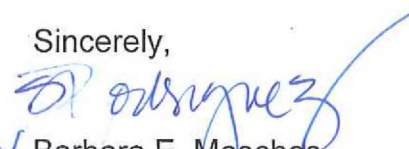
Subject: Agreement No. BP 12-019 with Kern River Gas Transmission Company

Pursuant to Charter Section 373, enclosed for approval by your Honorable Body is Resolution No. 013 193, adopted by the Board of Water and Power Commissioners on March 5, 2013, approved as to form and legality by the City Attorney, which authorizes the execution between Los Angeles Department of Water and Power and Kern River Gas Transmission Company for Restatement of Firm Transportation Services.

As directed by the Board, transmitted to you are supporting documents.

If there are any questions regarding this item, please contact Ms. Winifred Yancy, Manager of Intergovernmental Affairs and Community Relations, at (213) 367-0025.

Sincerely,


for Barbara E. Moschos
Board Secretary

BEM:sar

Enclosures: LADWP Resolution
Board Letter
CAO Report
Restatement of Firm Transportation
Service Agreement Rate Schedule KRF-1 (Agreement No. BP12-019)

Water and Power Conservation ... a way of life

c/enc: Mayor Antonio Villaraigosa
Councilmember Jose Huizar, Chair, Energy and the Environment Committee
Gerry F. Miller, Chief Legislative Analyst
Miguel A. Santana, City Administrative Officer
Rafael Prieto, Legislative Analyst, CLA
William R. Koenig, Chief Administrative Analyst
Winifred Yancy

RESOLUTION No. 013 193

WHEREAS, the Department of Water and Power of the City of Los Angeles (LADWP) entered into a long-term, natural gas transportation service agreement with the Kern River Gas Transmission Company (Kern River) (LADWP Agreement No. 10870) on April 2, 1990, providing LADWP with firm, natural gas interstate pipeline transportation service from various points of receipt in Wyoming to points of delivery in California, for a 15-year term beginning on March 1, 1992, and ending on February 28, 2007, at rates approved by the Federal Energy Regulatory Commission (FERC); and

WHEREAS, on March 6, 2001, LADWP entered into an Extended Term Rate Amendment (LADWP Agreement No. BP 99-002B) with Kern River lowering the unit rate for natural gas transportation service that LADWP pays and extending the primary term of LADWP Agreement No. 10870 to end September 30, 2016, and including extensions unless terminated; and

WHEREAS, on May 21, 2001, LADWP entered into a Sub-Agreement (Contract No. 1706) to LADWP Agreement No. 10870 for expanded firm transportation service on Kern River's pipeline system to end April 30, 2018; and

WHEREAS, on December 7, 2011, Kern River filed a settlement with FERC that simplified and consolidated its natural gas tariff and contracting procedures with all its shippers, and required its shippers holding transportation service agreements to agree to enter into replacement or restated agreements; and

WHEREAS, on February 1, 2012, FERC approved the settlement filed by Kern River thereby requiring LADWP to enter into a restated agreement replacing Contract No. 1706; and

WHEREAS, LADWP must execute the Restatement of Firm Transportation Service Agreement (Restatement Agreement) with Kern River to ensure it retains its original priority of service date and other key active provisions from Contract No. 1706, and it experiences no disruption of service of the delivery of natural gas to its in-basin generating stations.

NOW, THEREFORE, BE IT RESOVED that the Restatement Agreement, LADWP Agreement No. BP12-019, approved as to form and legality by the City Attorney and filed with the Secretary of the Board, is hereby approved, subject to approval of the City Council pursuant to Charter Section 373.

BE IT FURTHER RESOLVED that the General Manager, or such person as the General Manager shall designate in writing, is authorized, empowered, and directed to execute the Restatement Agreement, LADWP Agreement No. BP12-019, for and on behalf of LADWP.

801 810

BE IT FURTHER RESOLVED that the Chief Accounting Employee is hereby authorized and directed to draw demands upon the Power Revenue Fund for payment of all obligations arising from or related to LADWP Agreement No. BP12-019.

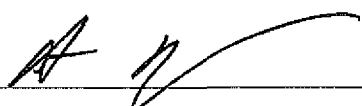
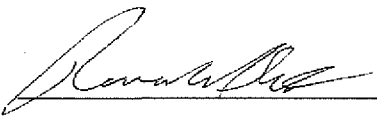
I HEREBY CERTIFY that the foregoing is a full, true, and correct copy of the resolution adopted by the Board of Water and Power Commissioners of the City of Los Angeles at its meeting held MAR 05 2013

Barbara E. Maslow
Secretary

APPROVED AS TO FORM AND LEGALITY
CARMEN A. TRUTANICH, CITY ATTORNEY

FEB 13 2013
BY William H. Kysella, Jr.
WILLIAM H. KYSELLA, JR.
DEPUTY CITY ATTORNEY

LOS ANGELES DEPARTMENT OF WATER AND POWER (LADWP) BOARD APPROVAL LETTER

TO: BOARD OF WATER AND POWER COMMISSIONERS		DATE: February 21, 2013
 ARAM BENYAMIN Senior Assistant General Manager – Power System		SUBJECT: Agreement No. BP 12-019 between the LADWP and Kern River Gas Transmission Company (Kern River) for Restatement of Firm Transportation Service (Restatement Agreement)
 RONALD O. NICHOLS General Manager		FOR COMMISSION OFFICE USE: RESOLUTION NO. _____
_____ _____		
CITY COUNCIL APPROVAL REQUIRED: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	IF YES, BY WHICH CITY CHARTER SECTION: 373	

PURPOSE

Transmitted for approval by your Honorable Board is a Resolution, approved as to form and legality by the City attorney, recommending to the Los Angeles City Council (City Council) approval of LADWP Agreement No. BP 12-019 Restatement Agreement, between the City of Los Angeles, acting by and through the LADWP and Kern River, approved as to form and legality by the City Attorney.

The Restatement Agreement is a restated contract replacing the LADWP's Sub-agreement to the vintage interstate natural gas transportation service agreement Contract No. 1006, LADWP No. 10870 (Vintage Agreement) with Kern River for firm, natural gas interstate pipeline service on Kern River's pipeline from various locations in Wyoming into Southern California. Approval of the Restatement Agreement ensures the LADWP will retain its original priority of service date and other key active provisions from the Sub-agreement, and will experience no disruption of service for the delivery of natural gas to its in-basin generating stations.

A related, but separate Restatement Agreement, LADWP Agreement No. BP 12-018, replacing the LADWP's Vintage Agreement for firm, natural gas transportation service on Kern River's gas pipeline is being submitted separately before the Board of Water and Power Commissioners (Board) for approval.

COST AND DURATION

In 2010 and 2011, the LADWP paid Kern River \$6.82 million and \$6.76 million, respectively, utilizing the Sub-agreement for transportation services on the Kern River natural gas pipeline.

The Restatement Agreement will retain the same expiration date of April 30, 2018, as provided for in the Sub-agreement with Kern River.

BACKGROUND

In order to supply its in-basin generating stations with a firm and reliable fuel source, the LADWP entered into a long-term Vintage Agreement with Kern River on April 2, 1990. The Vintage Agreement was a transportation service agreement (TSA) with Kern River providing the LADWP as a "shipper" with reliable, firm, natural gas interstate pipeline transportation service from various natural gas production locations in Wyoming to Southern California for a 15-year contract term beginning on March 1, 1992, and ending on February 28, 2007. The primary term of the Vintage Agreement was extended to end September 30, 2016, by virtue of an Extended Term Rate Amendment, LADWP No. BP 99-002B, with Kern River.

On May 21, 2001, the LADWP entered into a Sub-agreement (Contract No. 1706) to the Vintage Agreement to receive increased capacity on Kern River's pipeline system. The Sub-agreement provided for expanded firm transportation service as well as an additional receipt point and delivery point for the delivery of natural gas for the LADWP for a 15-year period beginning from May 1, 2003, and ending on April 30, 2018.

On December 7, 2011, as a result of extensive discussions with its shippers to resolve rate and contractual issues, Kern River filed a stipulation and agreement of settlement with the Federal Energy Regulatory Commission (FERC). In its submittal to FERC, Kern River stated that the settlement simplifies and consolidates Kern River's natural gas tariff and contracting procedures. All shippers holding TSAs with Kern River would agree to enter into new or replacement contracts (Restated Agreements). Such Restated Agreements would be in the form of a pro forma agreement with certain of the same key material terms of the shipper's original TSA in priority of service, rate, receipt and delivery point entitlements, volume and character of service provided. In addition, the Restated Agreements eliminated terms and conditions that were superseded or expired and included language that was more congruent with federal regulations.

Subsequently, on February 1, 2012, FERC approved the uncontested settlement.

Board of Water and Power Commissioners

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February 21, 2013

Los Angeles City Council Approval

Per Charter Section 373, City Council approval is required to LADWP Agreement No. BP 12-019. Accordingly, attached is the City Administrative Officer report dated February 4, 2013.

ENVIRONMENTAL DETERMINATION

In accordance with the California Environmental Quality Act (CEQA), it has been determined that the agreement for Restatement of Firm Transportation Service Agreement is exempt pursuant to the General Exemption described in CEQA Guidelines Section 15061(b)(3) which states that, "where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA."

RECOMMENDATION

It is recommended that your Honorable Board adopt the attached Resolution recommending City Council's approval of LADWP Agreement No. BP 12-019 with Kern River for Restatement of Firm Transportation Service Agreement with Kern River.

RAL:nsh

Attachments

e-c/att: Ronald O. Nichols
Richard M. Brown
Aram Benyamin
James B. McDaniel
Philip Leiber
Gary Wong
Randy S. Howard
Rodney A. Luck


POWER SYSTEM

FEB 08 2013

EXECUTIVE OFFICE

RANDY S. HOWARD

FEB 08 2013

TRANSMITTAL		0150-09890-0001
TO Ronald O. Nichols, General Manager Department of Water and Power	DATE FEB 07 2013	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT	
<p>AGREEMENT NO. BP 12-019 BETWEEN THE DEPARTMENT OF WATER AND POWER AND KERN RIVER GAS TRANSMISSION COMPANY FOR THE REPLACEMENT OF AN AGREEMENT OF FIRM NATURAL GAS TRANSPORTATION SERVICE</p> <p>Approved and transmitted for further processing including Council consideration. See the City Administrative Officer report attached.</p> <p style="text-align: center;"> MAYOR</p>		
MAS:OAV:10130091T		

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: February 4, 2013

CAO File No. 0150-09890-0001

Council File No.

Council Districts: Citywide

To: The Mayor

From: Miguel A. Santana, City Administrative Officer 

Reference: Transmittal from the Department of Water and Power dated January 16, 2013; referred by the Mayor for report on January 22, 2013

Subject: **AGREEMENT NO. BP 12-019 BETWEEN THE DEPARTMENT OF WATER AND POWER AND KERN RIVER GAS TRANSMISSION COMPANY FOR THE REPLACEMENT OF AN AGREEMENT OF FIRM TRANSPORTATION SERVICE**

SUMMARY

The Department of Water and Power (DWP; Department) requests approval of the proposed Resolution that authorizes the execution of a Restatement of Firm Transportation Service Agreement No. BP 12-019 (Restatement Agreement) between the DWP and Kern River Gas Transmission Company (KRGTC). The proposed Restatement Agreement will replace a 2001 Sub-Agreement (Contract No. 1706) between DWP and KRGTC for natural gas transportation service. The proposed Restatement Agreement is necessary to comply with a settlement agreement approved by the Federal Energy Regulatory Commission (FERC), which resolves rate and contractual issues in all KRGTC agreements.

The proposed Restatement Agreement, which is a standardized Agreement for all KRGTC natural gas shippers, retains DWP's natural gas transportation service agreement 15-year term (May 1, 2003 to April 30, 2018) for increased firm capacity as well as provides an additional delivery point (Kramer-Junction) along the Kern River transmission system in Wyoming into Southern California. In addition, the Restatement Agreement will retain its discounted extended rates, its original priority of service and other key provisions from the current Sub-Agreement and will not cause disruption of service for the delivery of natural gas to its in-basin generation stations. In accordance with Charter Section 373 and Los Angeles Administrative Code (LAAC) Section 10.5, Council approval is required because the cumulative term exceeds three years.

A related, but separate Restatement Agreement (BP- 12-018), replacing the original Agreement for natural gas transportation service on Kern River's gas pipeline is being submitted separately for Mayor and Council approval.

Background

On April 2, 1990 (C.F.90-1019) DWP entered into the long-term agreement with KRGTC to provide firm interstate pipeline transportation of natural gas from Wyoming to Kern County California for an initial service term of 15 years ending on February 28, 2007. Rates for interstate natural gas transportation are approved by FERC in the form of a natural gas tariff. The gas tariff allows KRGTC to recover an annual cost of services through the rates. DWP's Agreement preserves the Department's current maximum reservation rate for a specified quantity.

DWP has access to natural gas fields in Wyoming through their participation in a SCAPPA project and SCAPPA has part ownership with other shippers in the surrounding gas field areas of Pinedale, Wyoming. DWP and others ship their natural gas through the KRGTC's pipeline to Southern California Gas Company's (So Cal Gas) system in Bakersfield, California. So Cal Gas is the only authorized shipper of natural gas in California. DWP has a separate, current contract with So Cal Gas for the delivery of natural gas to the Scattergood, Haynes, Harbor and Valley Generating Stations.

On March 6, 2001 DWP entered into an Extended Term Rate Amendment with KRGTC, which amended the original agreement, reducing the per unit transportation rate for natural gas service and extending the primary term to September 30, 2016. In exchange for extending the term of their service agreement, DWP would retain its delivery point entitlement assurances and firm volume commitment from KRGTC. At that time the Board of Water and Power Commissioners approved a resolution to extend the agreement term to September 30, 2016 in order secure a discount as well as a firm scheduling commitment (non-interruptible). The reduction in the unit rate represented a 34% reduction over the previous rate.

On May 21, 2001, DWP entered into a Sub-Agreement to the original Agreement for firm natural gas transportation service (Contract No. 1706) to receive increased capacity and an additional delivery point for DWP for a 15-year term beginning May 1, 2003 and expiring on April 30, 2018.

Restatement Agreement

The Kern River pipeline system delivers the vast majority of DWP's natural gas fuel supply. The natural gas delivered through the Kern River pipeline amounted to 84 percent in 2010 and 88 percent in 2011 of DWP's natural gas requirements. The natural gas transported comes from eleven different suppliers, including DWP's share of the Pinedale natural gas field near Pinedale, Wyoming.

On December 7, 2011, KRGTC filed an appeal with FERC as a result of all the natural gas shippers requesting standardization of all agreement language to avoid special treatment requests. To settle the appeal FERC approved the language proposed by KRGTC, which resulted in the Restatement Agreement. The proposed Restatement Agreement is required by FERC to standardize the natural gas transportation agreements for all of the shippers on the KRGTC pipeline. The new restated natural gas Transportation Service Agreement (TSA) simplifies and consolidates all the tariffs and contracting procedures. All shippers would be required to enter into a new pro forma agreement with the same material terms as the current TSA retaining the same priority of service, rates, receipt and

delivery point entitlements, volume and type of service provided. There are approximately 39 long-term shippers on the Kern River Pipeline. DWP ranks third behind Nevada Power (first) and So Cal Gas (second). On February 1, 2012, FERC approved a settlement of the KRGTC appeal. The rates, service delivery and other conditions of the DWP Sub-Agreement with KRGTC will remain the same.

CONTRACTING COMPLIANCE

The City Attorney has approved the proposed resolution and Agreement as to form and legality. The Agreement is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to the General Exemptions described in Section 15061(b)(3) of the Los Angeles City CEQA Guidelines. In accordance with Charter Section 1022, it has been determined the work specified in the Agreement can be performed more economically and feasibly by Independent Contractors than by City employees. Pursuant to Charter Section 373 and Los Angeles Administrative Code Section 10.5, Council consideration of this Agreement is required because the term exceeds three years.

RECOMMENDATION

That the Mayor:

1. Approve the proposed Resolution that authorizes the execution of a Restatement of Firm Natural Gas Transportation Service Agreement No. BP 12-019 between the DWP and Kern River Gas Transmission Company, which will replace the current Sub-Agreement (Contract No. 1706) for interstate natural gas transportation service with the proposed Restatement of Firm Natural Gas Transportation Service Agreement; and,
2. Return the proposed resolution to the Department for further processing, including Council consideration.

FISCAL IMPACT STATEMENT

The approval of this request restates an existing contractual agreement and does not increase the current financial obligation of the DWP. This Agreement is consistent with the DWP Financial Policies which are not applicable.

TIME LIMIT FOR COUNCIL ACTION

Pursuant to Charter Section 373, "Long Term Contracts Approved by Council," and the Los Angeles Administrative Code Section 10.5, "Limitation and Power to Make Contracts," unless the Council takes action disapproving a contract that is longer than three years within 60 days after submission to Council, the contract shall be deemed approved.

RESTATEMENT OF
FIRM TRANSPORTATION SERVICE AGREEMENT
Rate Schedule KRF-1

CONTRACT NO. 1706 (LADWP No. BP12-019)

THIS RESTATED FIRM TRANSPORTATION SERVICE AGREEMENT ("Agreement"), which was originally executed on May 21, 2001, is made and entered into as of this _____ day of _____, _____, by and between KERN RIVER GAS TRANSMISSION COMPANY ("Transporter") and THE DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES ("Shipper"), and supersedes all previous versions of this Agreement, if any.

WHEREAS, Transporter and Shipper entered into a Firm Transportation Service Agreement, Contract No. 1006, dated April 2, 1990, as amended;

WHEREAS, pursuant to Section 1.8 of the Precedent Agreement for Firm Transportation Service dated January 31, 2001, Transporter and Shipper amended Contract No. 1006 by including by reference a Sub-Agreement (to Transportation Service Agreement Contract No. 1006) for Incremental Transportation Service ("Sub-Agreement"), which Sub-Agreement is known as Contract No. 1706;

WHEREAS, the Sub-Agreement is being restated because of the restatement of Contract No. 1006. Contract No. 1006 is restated pursuant to a settlement dated December 7, 2011, in FERC Docket No. RP11-2328, which settlement was approved by FERC order dated February 1, 2012.

NOW, THEREFORE, in consideration of the mutual covenants and agreements as herein set forth, the parties agree as follows:

ARTICLE I - GAS TO BE TRANSPORTED

- 1.1 Subject to the terms, conditions and limitations hereof, Transporter agrees to receive, on a firm basis, from Shipper for Transportation at the Receipt Point(s) specified in Exhibit "A" and to transport and deliver Thermally Equivalent Quantities to Shipper at the Delivery Point(s) specified in Exhibit "A," Quantities of Natural Gas, exclusive of Quantities required for fuel used and lost and unaccounted-for Gas, up to Shipper's TMDQ. Shipper's TMDQ is 39,000 Dth per day. Shipper's DMDQ is equal to Shipper's TMDQ.
- 1.2 Shipper will reimburse Transporter for fuel used and lost and unaccounted-for Gas on an in-kind basis at the factors applicable to incremental rate service related to the 2003 Expansion Project, pursuant to the General Terms and Conditions of Transporter's FERC-approved tariff, as revised from time to time ("Transporter's Tariff"). Backhaul Shippers will reimburse Transporter for system-wide lost and unaccounted-for Gas, but will not reimburse Transporter for compressor fuel.

ARTICLE II - APPLICABLE RATE SCHEDULE

- 2.1 Shipper agrees to pay Transporter for all Natural Gas Transportation service rendered under the terms of this Agreement in accordance with Rate Schedule KRF-1 of Transporter's Tariff. This Agreement will be subject to the provisions of such Rate Schedule and the General Terms and Conditions of Transporter's Tariff, which by this reference are incorporated herein and made a part hereof.
- 2.2 Shipper's rates for Transportation service will be in accordance with Transporter's effective Rate Schedule KRF-1 for 15-year incremental rate service related to the 2003 Expansion Project, subject to the parties' understanding and agreement that Transporter may change the rates from time to time in accordance with the Natural Gas Act.
- 2.3 Notwithstanding Section 5.5 of the General Terms and Conditions of Transporter's Tariff, and subject to any negotiated credit set forth in this transportation service agreement; or, if there is no individually negotiated provision any Reservation Charge Adjustments applicable pursuant to Section 9 of Rate Schedule KRF-1, Shipper will make payment of the Monthly Reservation Charge pursuant hereto in full irrespective of (but without prejudice to the rights otherwise of Shipper with respect to) any dispute relative to the amount invoiced, and will not be entitled to any abatement of such payment or any set-off against it, including but not limited to, abatement or set-off due or alleged to be due by reason of any past, present or future claims or other rights of Shipper against Transporter or any other person or entity, whether in connection herewith or any unrelated transaction.

ARTICLE III - TERM OF SERVICE

- 3.1 This Agreement is subject to approval by both the City Council and the Board of Water and Power Commissioners of the City of Los Angeles.
- 3.2 The term of service under this Agreement shall end April 30, 2018.

ARTICLE IV - MISCELLANEOUS PROVISIONS

- 4.1 This Agreement constitutes the entire agreement between the parties with respect to the subject matter of this Agreement and shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. No promises, agreements or warranties additional to this Agreement other than as may be contained in Transporter's Tariff will be deemed to be a part of this Agreement, nor will any alteration, amendment or modification be effective unless confirmed in writing by the parties.

4.2 This Agreement shall incorporate and in all respects shall be subject to the General Terms and Conditions and the applicable Rate Schedule(s) set forth in Transporter's Tariff. Transporter may file and seek approval from the FERC under Section 4 of the Natural Gas Act ("NGA") at any time and from time to time to change any rates, charges or other provisions set forth in the applicable Rate Schedule(s) and the General Terms and Conditions in Transporter's Tariff, and Transporter shall have the right to place such changes in effect in accordance with the NGA, and this Agreement shall be deemed to include such changes and any change that becomes effective by operation of law and FERC order, without prejudice to Shipper's right to protest the same.

4.3 The priority of service for this Agreement shall be November 30, 2000.

4.4 This Agreement will be construed in accordance with the laws of the State of California, excluding any conflicts of law provisions thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of this _____ day of _____, _____.

"SHIPPER:"

"TRANSPORTER:"

THE DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES

KERN RIVER GAS TRANSMISSION COMPANY

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

APPROVED AS TO FORM AND LEGALITY
CARMEN A. TRUTANICH, CITY ATTORNEY


FEB 13 2013
BY 
WILLIAM H. KYSELLA, JR.
DEPUTY CITY ATTORNEY

EXHIBIT "A"

TO RESTATED FIRM TRANSPORTATION SERVICE AGREEMENT

CONTRACT NO. 1706 (LADWP No. BP12-019)

BETWEEN

THE DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES

AND

KERN RIVER GAS TRANSMISSION COMPANY

Execution Date of this Exhibit "A": _____

From May 1, 2003 to April 30, 2018

TMDQ: 39,000 Dth

<u>Receipt Point(s)</u>	<u>Meter Number</u>	<u>Loc. Type</u>	<u>Receipt Point Entitlement (Dth)</u>
Opal-WFS	014001	Physical	39,000
Total Receipt Point Entitlement:			39,000 Dth

<u>Delivery Point(s)</u>	<u>Meter Number</u>	<u>Loc. Type</u>	<u>Delivery Point Entitlement (Dth)</u>
Kramer Junction-SoCal Gas	025032	Physical	39,000
Total Delivery Point Entitlement:			39,000 Dth