

TRANSPORTATION COMMITTEE REPORT relative to the renewal of electric line and pipeline franchises.

Recommendations for Council action:

1. FIND that:

- a. The City of the Los Angeles is in need of 36 separate franchises to install, retain, operate and maintain existing pipelines/facilities and their adjunct communication lines in City streets associated with the transportation of electricity, water, steam, crude oil, oil products, chemical products and/or natural gas.
- b. 36 various entities are in need of a franchise to install, retain, operate and maintain existing pipelines/facilities and their adjunct communication lines in City streets associated with the transportation of electricity, water, steam, crude oil, oil products, chemical products and/or natural gas.

2. RECOMMEND to the Mayor and City Council to OFFER for sale pipeline franchises to install, retain, operate, and maintain pipelines and adjunct communication lines associated with the production and distribution of electricity, water, steam, crude oil, oil products, chemical products and/or natural gas within the City, with terms substantially the same as detailed in the pipeline franchises attached to Council File No. 15-0387 approved by City Council on June 22, 2016 to grant franchises for a one-year term with a nine-month optional extension duration, during the transition to the Board of Public Works as follows:

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|-------------------------------------------------------|-----------------------------------------|
| 1. Air Products and Chemicals, Inc. | 19. Paramount Petroleum |
| 2. Brea Canon Oil Company | 20. Petro-Diamond Terminal Company |
| 3. Cardinal Pipeline, LP | 21. Phillips 66 Company |
| 4. Chevron USA, Inc. | 22. Phillips 66 Pipeline LLC |
| 5. Chevron Environmental Management Company | 23. Plains West Coast Terminals LLC |
| 6. Cooper and Brain, Inc. | 24. Praixair, Inc. |
| 7. Crimson California Pipeline, LP | 25. SCS Renewable Energy-Mountaingate |
| 8. Dow Chemical Company | 26. SFPP, LP |
| 9. E&B Natural Resources | 27. Shell California Pipeline Company |
| 10. Equilon Enterprises LLC dba Shell Oil Products US | 28. Shore Terminals LLC |
| 11. Freeport-McMoRan Oil & Gas LLC | 29. Tesoro Refining & Marketing Company |
| 12. Golden West Water Company | 30. Tesoro SoCal Pipeline Company LLC |
| 13. Kinder Morgan Tank Storage Terminals LLC | 31. Torrance Basin Pipeline Company LLC |
| 14. Los Angeles Trade Tech | 32. Torrance Pipeline Company LLC |
| 15. Nasco Petroleum | 33. Torrance Valley Pipeline LLC |
| 16. Pacific Coast Energy Company LP | 34. Veolia Energy Los Angeles |
| 17. Pacific Energy Group LLC | 35. Whittier Pipeline Corporation |
| 18. Pacific Pipeline System LLC | 36. Southern California Edison |

3. INSTRUCT the City Clerk to publish Notice(s) of Sale or Pipeline Franchises in accordance with Los Angeles Administrative Code (LAAC) Section 13.17.

4. RECOMMEND to the Mayor and City Council to ACCEPT and AWARD the bid for the franchise(s) to the responsible bidder offering to pay the City the highest cash consideration, but not less than \$500

and, if the existing operator and/or owner is the highest responsible bidder, or if there are no bids, award the franchise to that company.

5. REQUEST the City Attorney to prepare and present the pipeline franchise ordinance(s) for the successful franchisee for presentation to the City Council.
6. INSTRUCT the Los Angeles Department of Transportation (LADOT) to notify the successful franchisee(s) and ensure that all good faith deposits are returned to the unsuccessful bidders, subsequent to the award of the franchise(s).
7. REQUIRE that the successful franchisee(s) file a faithful performance bond in duplicate with the City Clerk within five days after the award of the pipeline franchise, pursuant to LAAC Section 13.30 and maintain necessary insurance as outlined in Form Gen 146.

Fiscal Impact Statement: The LADOT reports that based on receipts received in 2016, the annual franchise fees collected from the franchisees to be renewed is approximately \$3.26 million as detailed in the December 14, 2016 LADOT report, attached to the Council file.

Community Impact Statement: None submitted.

Summary:

On January 11, 2017, your Committee considered a December 14, 2016 LADOT report relative to the renewal of electric line and pipeline franchises. According to the LADOT, on June 20, 2016 Council heard matters related to the "Petroleum/Natural Gas (PING) Expert" (Council File No. 15-0387) and found a need for "short-term extensions] and renewals of respectively expiring and expired franchise agreements." Furthermore, Council directed the LADOT to submit, within 90 days, the required ordinances to City Council for authorization to execute the ordinances and extensions. 36 draft ordinances have been prepared and the December 14, 2016 LADOT report provides recommendations to accomplish the adoption of the identified ordinances to fulfill Recommendation 6 of the June 20, 2016 Council action.

The proposed Ordinances for 35 pipeline franchises will follow the pipeline template that is part of Council File No. 15-0387. The 36th franchisee under consideration is Southern California Edison (SCE), and their agreement does not follow the proposed template which was developed only for pipelines. Instead, SCE's proposed ordinance will be based on the most current negotiated agreement with SCE in place, which is Ordinance No. 157,228 adopted in 1982 for a term of 21 years. The proposed ordinance will simply replicate the provisions of Ordinance No. 157,228 for SCE but propose a term of only one year, with an optional nine-month extension, during which time transition to the Board of Public Works will take place to develop a new agreement to bring forward to the City Council for consideration. This variation is necessary to account for the distinct franchise services provided by SCE. The benefits of having a franchise agreement in place include the certainty of indemnification for any work performed by SCE or on its behalf, as well as the clear authority for the inspection of property and records.

After further consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of the recommendations contained in the December 14, 2016 LADOT report and detailed in the above recommendations. This matter is now submitted to Council for its consideration.



Respectfully Submitted,

TRANSPORTATION COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
BONIN:	YES
KORETZ:	ABSENT
HUIZAR:	YES
MARTINEZ:	YES
RYU:	YES

ARL
1/11/17

-NOT OFFICIAL UNTIL COUNCIL ACTS-