


POWER SYSTEM

JUL 02 2015

EXECUTIVE OFFICE

TRANSMITTAL		0150-09890-0002
TO Marcie L. Edwards, General Manager Department of Water and Power	DATE JUN 29 2015	COUNCIL FILE NO.
FROM The Mayor		COUNCIL DISTRICT Outside of City
<p>EXECUTE BINDING REQUEST AND AGREEMENT BP 15-012 WITH KERN RIVER GAS TRANSMISSION COMPANY FOR PERIOD TWO FIRM TRANSPORTATION SERVICE</p> <p>Approved and transmitted for further processing including Council consideration. See the City Administrative Officer report attached.</p> <p> (Ana Guerrero)</p> <p>MAYOR</p>		

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 29, 2015.

CAO File No. 0150-09890-0002

Council File No. --

Council District: Outside of City

To: The Mayor

From: Miguel A. Santana, City Administrative Officer

RH
BW

Reference: Communication from the Department of Water and Power dated May 13, 2015; referred by the Mayor for report on May 21, 2015

Subject: **EXECUTE BINDING REQUEST AND AGREEMENT BP 15-012 WITH KERN RIVER GAS TRANSMISSION COMPANY FOR PERIOD TWO FIRM TRANSPORTATION SERVICE**

SUMMARY

The Department of Water and Power (DWP; Department) requests approval of the proposed Resolution authorizing the execution of the Binding Request and Agreement BP 15-012 for Period Two Firm Transportation Service Agreement with Kern River Gas Transportation Company (Kern River). The Period Two Agreement is a 15-year, long term natural gas transportation service agreement (TSA) from October 1, 2016 through September 30, 2031, with Kern River. This agreement will provide DWP with firm natural gas interstate pipeline service from various locations in Wyoming into California and Southern Nevada. The annual cost to DWP is projected to be \$7.7 million or \$115.5 million for the life of the fifteen year agreement.

To be eligible to receive service under the Period Two Agreement and realize a 49 percent decrease in the pay rates (from a current average annual cost of \$15.1 million down to \$7.7 million), the DWP must submit the Binding Request to Kern River by September 30, 2015, one year prior to the expiration of the current Restatement Agreement. This will retain DWP's original priority of service and guarantee no disruption of service for the delivery of natural gas.

Background

DWP entered the original Transmission Service Agreement (TSA) with Kern River (Agreement 10870) for Period One on April 2, 1990 while the pipeline was under construction. The TSA with Kern River provided a reliable, firm natural gas interstate pipeline transportation service from various natural gas production locations in Wyoming to Southern California over a 15-year contract term. Service was provided from March 1992 through February 2007. DWP received Period One rates (approximately \$22 million annually) as an original system "vintage shipper".

On March 6, 2001 DWP entered into an Extended Term Rate Amendment (Agreement BP 99-002B) with Kern River, lowering the unit rate for natural gas transportation service and extending the term through September 30, 2016.

On February 1, 2012 the Federal Energy Regulatory Commission approved a settlement with Kern River that simplified and consolidated Kern River's natural gas tariff and contracting procedures. As a result, DWP entered into a restated TSA, the Restatement Agreement 12-018, with Kern River on May 28, 2013. This agreement ensured that DWP retain the same key material terms of the original agreement in original priority of service, rate, receipt and delivery point entitlement, volume and character of service provided and incorporated the extended term of service through September 30, 2016.

In March 2014, DWP completed the purchase of 100 percent of the capacity and energy of the natural gas-fired Apex Power Project located in southern Nevada via a take-or-pay contract with the Southern California Public Power Authority. This project receives its gas supply through an existing direct lateral interconnection to the Kern River pipeline system. Through the Restatement Agreement and other agreements, DWP began arranging in 2014 for the delivery of the natural gas to the Apex Power Project.

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.

The City Attorney has reviewed and approved the proposed resolution as to form and legality.

RECOMMENDATIONS

That the Mayor:

1. Authorize the execution of the Binding Request and Agreement BP 15-012 with Kern River Gas Transmission Company, to provide long-term natural gas transmission service for a contract term of fifteen years for an approximate annual cost of \$7.7 million; and,
2. Return the proposed resolution to the Department for further processing, including Council consideration.

FISCAL IMPACT STATEMENT

Approval of the Department request will decrease the expenditure authority by approximately \$7.7 million annually for fifteen years from the Power Revenue Fund. The proposed Agreement complies with the Department's adopted Financial Policies. Approval of the proposed resolution will not impact the City General Fund.

MAS:MCD:06150183

Attachments

Los Angeles  Department of Water & Power

ERIC GARCETTI
Mayor

Commission
MEL LEVINE, *President*
WILLIAM W. FUNDERBURK JR., *Vice President*
JILL BANKS BARAD
MICHAEL F. FLEMING
CHRISTINA E. NOONAN
BARBARA E. MOSCHOS, *Secretary*

MARCIE L. EDWARDS
General Manager

May 13, 2015

The Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall
Mail Stop 370

Attention: Ms. Mandy Morales, Legislative Coordinator

Dear Mayor Garcetti:


Subject: Recommendation for Approval of the Binding Request for Period Two Service (Binding Request) and Agreement No. BP 15-012 Between the Los Angeles Department of Water and Power and Kern River Gas Transmission Company (Kern River) for Period Two Firm Transportation Service Agreement (Period Two Agreement)

In accordance with Executive Directive No. 4, enclosed is a copy of a Board letter and supporting documents recommending approval and transmittal to the Los Angeles City Council for LADWP to execute Binding Request for Period Two Service and LADWP Agreement No. BP 15-012 between the LADWP and Kern River for Period Two Firm Transportation Service Agreement.

It is respectfully requested that your review be completed as soon as possible. Once the required City Administrative Officer report has been received, the matter will be scheduled for action by the Los Angeles Board of Water and Power Commissioners and forwarded to the Los Angeles City Council for final consideration.

Please contact Ms. Winifred J. Yancy, Director of Intergovernmental Affairs and Community Relations, at (213) 367-0025 upon completion of the review, if the review will take longer than 30 days, or if there are any questions regarding this item.

Sincerely,


Marcie L. Edwards
General Manager

MLE:ep

Enclosures

c/enc: Mr. Ted Bardacke, Office of the Mayor
Board of Water and Power Commissioners
Ms. Winifred J. Yancy

OFFICE OF THE CLERK
CITY OF LOS ANGELES
2015 MAY 21 PM 2:48

CITY ADMINISTRATIVE OFFICER
2015 MAY 22 PM 2:31

Los Angeles Aqueduct Centennial Celebrating 100 Years of Water 1913-2013

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