

0150-09890-0003

TRANSMITTAL

TO David H. Wright, General Manager Department of Water and Power	DATE DEC 20 2016	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT Various	

**BINDING REQUEST AND PERIOD TWO FIRM TRANSPORTATION SERVICE AGREEMENT
BP 16-019 WITH THE KERN RIVER GAS TRANSMISSION COMPANY**

Approved and transmitted for further processing including Council consideration.
See the City Administrative Officer report attached.



MAYOR

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: December 16, 2016
To: The Mayor
From: Miguel A. Santana, City Administrative Officer *PJH
TW*
Reference: Communication from the Department of Water and Power dated November 18, 2016; referred by the Mayor for report on November 29, 2016
Subject: **BINDING REQUEST AND PERIOD TWO FIRM TRANSPORTATION SERVICE AGREEMENT BP 16-019 WITH THE KERN RIVER GAS TRANSMISSION COMPANY**

RECOMMENDATIONS

That the Mayor:

1. Authorize the execution of the Binding Request and Period Two Firm Transportation Service Agreement BP 16-019 with the Kern River Gas Transmission Company to provide long-term natural gas transmission service; and,
2. Return the proposed resolution to the Department for further processing, including Council consideration.

SUMMARY

Approval of the proposed resolution authorizes the Department of Water and Power (DWP) to execute the Binding Request and Agreement BP 16-019 (Agreement) with the Kern River Gas Transportation Company (Kern River). The Agreement provides DWP with natural gas interstate pipeline service from various locations in Wyoming into California and Southern Nevada.

The annual cost to DWP is forecasted to be \$3.1 million or \$46.5 million over a fifteen year term from May 1, 2018 through April 30, 2033. The current cost of service is approximately \$6.7 million annually. Consequently, approval of the proposed Agreement will provide the DWP with an annual cost savings of \$3.6 million (53 percent). To be eligible to receive the cost savings, the DWP must submit the Binding Request to Kern River by April 30, 2017, 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.

Pursuant to Charter Section 373 and Administrative Code Section 10.5, the Council has 60 days to take action on this proposed resolution or it will be deemed approved. The City Attorney has reviewed and approved the proposed resolution as to form and legality.

FISCAL IMPACT STATEMENT

Approval of the proposed Agreement is expected to result in expenditures from the Power Revenue Fund of \$3.1 million annually or \$46.5 million over a fifteen year term. The proposed Agreement complies with the Department's adopted Financial Policies. Approval of the proposed resolution will not impact the City General Fund.

MAS:RR:10170063