



File #: 2018-327, Version: 1

Report to Mayor and City Council

Tuesday, September 18, 2018

Consent

SUBJECT:

CONSIDER ADOPTING TWO MATTERS RELATED TO THE ASSIGNMENT OF PIPELINE FRANCHISES TO THE PBF HOLDING COMPANY LLC:

(1) ORDINANCE NO. 18-1816, AN ORDINANCE OF THE CITY OF CARSON, CALIFORNIA, CONSENTING TO THE ASSIGNMENT OF THE MOBIL PACIFIC PIPELINE COMPANY PIPELINE FRANCHISE GRANTING A PUBLIC UTILITY PIPELINE FRANCHISE TO PBF HOLDING COMPANY, LLC & AMENDING ORDINANCE NO. 95-1060;

(2) ORDINANCE NO. 18-1817, AN ORDINANCE OF THE CITY OF CARSON, CALIFORNIA, CONSENTING TO THE CONSOLIDATION AND ASSIGNMENT OF THE EXXONMOBIL OIL COMPANY PIPELINE FRANCHISES GRANTING A NONPUBLIC UTILITY PIPELINE FRANCHISE TO PBF HOLDING COMPANY, LLC & REPEALING ORDINANCE NO. 00-1201 & AMENDING ORDINANCE NO. 04-1309 (CITY COUNCIL)

I. SUMMARY

In 2015, the PBF Holding Company ("PBF") entered into a purchase and sale agreement with ExxonMobil Oil Corporation and Mobile Pacific Pipeline Company for the transfer of certain assets to PBF, including a public utility pipeline franchise and two (2) nonpublic utility pipeline franchises. The City will consider consenting to the transfer and assignment of such oil pipeline franchises for PBF. In doing so, PBF has agreed to increased pipeline franchise fees subject to an annual CPI for the fifteen year term as well as additional insurance requirements.

II. RECOMMENDATION

TAKE the following actions:

1. INTRODUCE for first reading Ordinance No. 18-1816 entitled "ORDINANCE NO. 18-1816, AN ORDINANCE OF THE CITY OF CARSON, CALIFORNIA, CONSENTING TO THE ASSIGNMENT OF THE MOBIL PACIFIC PIPELINE COMPANY PIPELINE FRANCHISE GRANTING A PUBLIC UTILITY PIPELINE

FRANCHISE TO PBF HOLDING COMPANY, LLC & AMENDING ORDINANCE NO. 95-1060"; and

2. INTRODUCE for first reading Ordinance No. 18-1817 entitled "ORDINANCE NO. 18-1817, AN ORDINANCE OF THE CITY OF CARSON, CALIFORNIA, CONSENTING TO THE CONSOLIDATION AND ASSIGNMENT OF THE EXXONMOBIL OIL COMPANY PIPELINE FRANCHISES GRANTING A NONPUBLIC UTILITY PIPELINE FRANCHISE TO PBF HOLDING COMPANY, LLC & REPEALING ORDINANCE NO. 00-1201 & AMENDING ORDINANCE NO. 04-1309".

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III. ALTERNATIVES

TAKE such other action as the City Council deems appropriate, consistent with the requirement of the law.

IV. BACKGROUND

On June 20, 1995, the City Council adopted Ordinance No. 95-1060 granting to Mobil Pacific Pipeline Company ("Mobil Pacific") a twenty-five (25) year public utility pipeline franchise within the City of Carson. On July 18, 2000, the City Council adopted Ordinance No. 00-1201 granting to ExxonMobil Oil Corporation ("ExxonMobil") a twenty-five (25) year nonpublic utility pipeline franchise within the City of Carson. On April 7, 2004, the City Council adopted Ordinance No. 04-1309 granting to ExxonMobil a twenty-five (25) year nonpublic utility pipeline franchise within the City of Carson.

On September 29, 2015 Mobil Pacific and ExxonMobil ("Sellers") entered into a Purchase and Sale Agreement whereby Sellers agreed to sell certain assets to PBF Holding Company, LLC ("PBF"). On July 1, 2016, a Bill of Sale and Assignment was executed by and between Sellers and PBF to consummate the transfer and assignment of such assets, including the public utility pipeline franchise identified as Ordinance No. 95-1060 and the nonpublic utility pipeline franchises identified as Ordinance No. 00-1201 and Ordinance No. 04-1309.

PBF has submitted a written request for the consent of the City Council to such transfer and assignment of the public and nonpublic utility franchises along with a copy of the duly executed instrument of transfer and assignment between Sellers and PBF.

City staff has evaluated the relevant pipelines and confirmed the pipeline data, including that the pipeline diameters and lengths are in accordance with the applicable franchise agreements. The evaluation consisted of requesting the linework for the pipelines purchased by PBF, matching the pipelines with a national database and/or the City's database, measuring each line to determine the total length in the public right-of-way, and then comparing such measurements to the franchise agreements. The public utility pipeline franchise identified as Ordinance No. 95-1060 consists of 6,758 ft of pipeline that is 4" in diameter, 29,027 ft of pipeline with is 8" in diameter, and 3,951 ft of pipeline that is 10" in diameter. The nonpublic utility pipeline franchise identified as Ordinance No. 00-1201 consists of one (1) 24" diameter pipeline that is 17,875 ft in length. The nonpublic utility

pipeline franchise identified as Ordinance No. 04-1309 consists of 2,647 ft of pipeline that is 3" in diameter, 40,101 ft of pipeline that is 4" in diameter, 60,441 ft of pipeline that is 6" in diameter, 64,699 ft of pipeline that is 8" in diameter, 17,465 ft of pipeline that is 10" in diameter, and 18,246 ft of pipeline that is 12" in diameter.

On April 25, 2018, the City and PBF met and agreed on terms to permit the City Council to grant its consent to the transfer and assignment of the pipeline franchises. It was agreed that the public utility pipeline franchise identified as Ordinance No. 95-1060 shall be amended, thereby permitting the City Council to grant its consent to the transfer and assignment of the public utility pipeline franchise for PBF.

Additionally, since the nonpublic utility pipeline franchise identified as Ordinance No. 00-1201 only consists of one (1) pipeline, PBF desires to consolidate under Ordinance No. 04-1309 all the pipelines covered in Ordinance No. 00-1201 and in Ordinance No. 04-1309, in order to provide for the efficient management and regulation of the nonpublic utility pipeline franchises. Therefore, it was agreed that the nonpublic utility pipeline franchise identified as Ordinance No. 04-1309 shall be amended to consolidate the nonpublic utility pipeline franchises identified as Ordinance No. 00-1201 and Ordinance No. 04-1309, and that the nonpublic utility pipeline franchise identified as Ordinance No. 00-1201 shall be repealed in its entirety, thereby permitting the City Council to consent to the transfer and assignment of the nonpublic utility pipeline franchises for PBF.

Finally, it was agreed that the nonpublic utility pipeline franchise to be granted to PBF shall include an increase in the Base Franchise Fee, that the fees will be subject to an annual cost of living adjustment (CPI), and that both the public and nonpublic utility franchises granted to PBF would include terms for insurance coverage. The agreed to fee increase will be \$2.56 per linear foot, which is the same fee that the Tesoro (Andeavor) agreed to pay with their franchise renewal in 2017.

V. FISCAL IMPACT

Based on the updated rate (from \$1.68 to \$2.56 per linear foot) and the revised rate calculation methodology, the annual increase in fees will total approximately \$230,000 (from \$436,924.62 to \$668,825.60), equating to a total of \$3,450,000 in new revenues to the City over the 15 year term of these agreements. This amount does not include the annual CPI adjustment, so the actual revenue amount will be larger over the 15 year term of the franchise agreement.

VI. EXHIBITS

1. Ordinance 18-1816 (Pages 4 - 9)
2. Ordinance 18-1817 (Pages 10 - 17)

Prepared by: Dr. Maria Slaughter, Director of Public Works
City Attorney's Office