Legislation Details (With Text)

File #:	2023-0848	**Version:** 1	**Name:**		
Type:	Special Order		**Status:**	Agenda Ready	
File created:	11/6/2023		**In control:**	City Council	
On agenda:	11/21/2023		**Final action:**		

Title: PUBLIC HEARING TO CONSIDER ADOPTING ORDINANCE NO. 23-2310, AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, GRANTING A PUBLIC UTILITY PIPELINE FRANCHISE TO ZENITH ENERGY WEST COAST TERMINALS, LLC (CITY COUNCIL)

Sponsors:

Indexes:

Code sections:

Attachments: 1. Ordinance No. 23-2310, 2. Pipeline Franchise Application (Zenith)

Date	Ver.	Action By	Action	Result

Report to Mayor and City Council

Tuesday, November 21, 2023

Special Orders of the Day

SUBJECT:

PUBLIC HEARING TO CONSIDER ADOPTING ORDINANCE NO. 23-2310, AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, GRANTING A PUBLIC UTILITY PIPELINE FRANCHISE TO ZENITH ENERGY WEST COAST TERMINALS, LLC (CITY COUNCIL)

I. SUMMARY

Zenith Energy West Coast Terminals, LLC (“Zenith”) has requested that the City grant it a renewed public utility pipeline franchise. On November 7, 2023, the City Council adopted a resolution declaring its intention granting a public utility pipeline franchise to Zenith and to hold a public hearing for all persons having interest in or any objection to the matter.

Zenith will be required to pay City annual fees established under Public Utilities Code Section 6231.5 that apply equally to all public utilities such as Zenith. As a result, based on Zenith’s existing pipeline length of approximately 25,442 feet within City’s right of way, Zenith will be paying the City a minimum of $30,553.46 per year with $30,553.46 representing the amount for the year 2023, resulting in a total of at least $611,069.20 (this does not include CPI adjustments) in continued revenues over the course of the 20-year term of the franchise (10 years plus two 5-year options to extend), plus the retroactive base annual fees covering the period from expiration of the existing franchise as of August 14, 2023 up to the time the renewed franchise goes into effect. This amount does not include the annual CPI adjustment, so the actual nominal revenue received by the City over the renewed term will be greater than this estimate. Zenith will also be responsible for paying all publication costs incurred in connection with the granting of the proposed franchise as provided under CMC Section 6817.

II. RECOMMENDATION

TAKE the following actions:

1. **OPEN** the public hearing, **TAKE** public testimony, and **CLOSE** the public hearing; AND

2. **INTRODUCE** for first reading ORDINANCE NO. 23-2310, “AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, GRANTING A PUBLIC UTILITY PIPELINE FRANCHISE TO ZENITH ENERGY WEST COAST TERMINALS LLC”

III. ALTERNATIVES

1. If the City Council determines that the terms and conditions of the attached Ordinance require further changes, then pursuant to Charter Section 1001.B, the City shall restart the franchise award process with a Resolution of Intention reflecting the revised terms and conditions.

2. **TAKE** another action the City Council deems appropriate that is consistent with the requirements of the law.

IV. BACKGROUND

Zenith, a Delaware limited liability company, currently holds a public utility pipeline franchise granted by the City of Carson (the "City") to Southern California Edison Company (“SCE”) pursuant to Ordinance No. 99-1185, which restated certain rights granted to SCE under Ordinance No. 73-264, repealed any franchise rights previously granted to SCE by the County of Los Angeles through County Ordinance No. 9271 on January 24, 1967, and established franchise fees to be consistent with fees set out in Public Utilities Code Section 6231.5, to construct, lay, operate, maintain, use, renew, repair, replace, remove, change the size and number of, and remove or abandon in place a system of pipelines, together with such valves, fittings, manholes, vaults, pumps, and other appliances, appurtenances, attachments or equipment as SCE, Zenith, or their successors and assigns, may deem necessary or convenient, for the purpose of conducting, transporting, conveying and carrying gas, oil, petroleum, water and other substances, on, along, in, under and across certain public streets, ways, alleys and places within the City.

The term of the public utility pipeline franchise originally granted to SCE was 50 years commencing August 15, 1973 and expiring on August 14, 2023, with Zenith currently having all rights thereunder by virtue of an assignment from SCE to Pacific Terminals LLC, then a name change from Pacific Terminals LLC to Plains West Coast Terminals LLC, and another name change from Plains West Coast Terminals LLC to Zenith Energy West Coast Terminals LLC.

On July 5, 2023, Zenith filed an application with the City for a public utility pipeline franchise (Exhibit No. 2) consisting of the same franchise facilities operated and maintained by Zenith under Ordinance No. 99-1185 and Ordinance No. 73-264. Zenith is current on its public utility pipeline annual fee payments required under Ordinance No. 99-1185 and intends to pay City retroactively any fees owed after expiration of its current franchise until the effective date of the ordinance that will grant the renewed franchise.

In July 2023, the City staff and Zenith agreed on terms for the new franchise. Zenith will be required to pay City fees established under Public Utilities Code Section 6231.5 that apply to all public utilities such as Zenith. As a result, based on Zenith's existing pipeline length of approximately 25,442 feet within City's right of way, Zenith will be paying the City a minimum of $30,553.46 per year with $30,553.46 representing the amount for the year 2023, resulting in a total of at least $611,069.20 (this does not include CPI adjustments) in continued revenues over the course of the 20 year term of the franchise (10 years plus two 5-year options to extend), plus the retroactive base annual fees covering the period from expiration of the existing franchise as of August 14, 2023 up to the time the renewed franchise goes into effect. This amount does not include the annual CPI adjustment, so the actual nominal revenue received by the City over the renewed term will be greater than this estimate.

In accordance with Section 1001 of the City Charter, on November 7, 2023, the City council passed Resolution No. 23-122 declaring its intention to grant a public utility pipeline franchise to Zenith, stating the character of the franchise and the terms and conditions upon which it is proposed to be granted, and fixing today's date of November 21, 2023 to hold a public hearing for all persons having an interest in or objection to the matter to be heard thereon.

V. FISCAL IMPACT

Based on Public Utilities Code Section 6231.5 and Zenith's existing pipeline length of approximately 25,442 feet within City's right of way, Zenith will be paying the City a minimum of $30,553.46 per year with $30,553.46 representing the amount for the year 2023, resulting in a total of at least $611,069.20 (this does not include CPI adjustments) in continued revenues over the course of the 20 year term of the franchise (10 years plus two 5 year options to extend), plus the retroactive base annual fees covering the period from expiration of the existing franchise as of August 14, 2023 up to the time the renewed franchise goes into effect. This amount does not include the annual CPI adjustment, so the actual revenue received by the City over the renewed term will be greater than this estimate. Finally, publication costs incurred in connection with the granting of the proposed franchise as provided under CMC Section 6817 will be paid by Zenith.

VI. EXHIBITS

1. Ordinance No. 23-2310 - Zenith Energy Pipeline Franchise (pgs. 4-13)
2. Application for Pipeline Franchise (Zenith) (pg. 14)

Prepared by: City Attorney's Office and James Nguyen, Special Projects Manager, Saied Naaseh, Community Development Director