



Legislation Text

File #: 2023-0525, Version: 1

Report to Mayor and City Council

Tuesday, November 07, 2023

Consent

SUBJECT:

CONSIDER RESOLUTION NO. 23-122, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, DECLARING ITS INTENTION TO GRANT A PUBLIC UTILITY PIPELINE FRANCHISE TO ZENITH ENERGY WEST COAST TERMINALS, LLC AND SETTING THE PUBLIC HEARING" (CITY COUNCIL)

I. SUMMARY

The City is considering a request from Zenith Energy West Coast Terminals, LLC ("Zenith") to renew its public utility pipeline franchise for 20 years (10 years plus two 5-year options to extend). The current franchise term commenced August 15, 1973, and expired on August 14, 2023. Pursuant to Charter Section 1001, the City Council must adopt a Resolution of Intention (Exhibit No. 1) and conduct a public hearing prior to granting Zenith a public utility pipeline franchise. This resolution declares the intent of the City Council and sets the public hearing date on November 21, 2023.

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.

II. RECOMMENDATION

TAKE the following action:

- 1. WAIVE** further reading and **ADOPT RESOLUTION NO. 23-122 "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, DECLARING ITS**

INTENTION TO GRANT A PUBLIC UTILITY PIPELINE FRANCHISE TO ZENITH ENERGY WEST COAST TERMINALS, LLC AND SETTING THE PUBLIC HEARING”

III. ALTERNATIVES

TAKE another action the City Council deems appropriate, 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 is 50 years commencing August 15, 1973, and expired 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.

The attached Resolution of Intention does not approve the franchise. Rather, pursuant to Charter Section 1001, the City Council must adopt a Resolution of Intention and conduct a public hearing prior to granting Zenith a public utility pipeline franchise by approval of an Ordinance. This resolution declares the intent of the City Council and sets the Public Hearing date on November 21, 2023, in the Council Chambers located at City Hall.

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.

VI. EXHIBITS

1. Resolution No. 23-122 (pgs. 4-9)
2. Application for Pipeline Franchise (Zenith) (pg. 10)

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