



Legislation Details (With Text)

File #: 2016-920 **Version:** 1 **Name:**

Type: Discussion **Status:** Agenda Ready

File created: 8/11/2016 **In control:** City Council

On agenda: 10/18/2016 **Final action:**

Title: CONSIDERATION OF THE PIPELINE FRANCHISE ASSIGNMENT TO TESORO REFINING AND MARKETING COMPANY

Sponsors: Public Works

Indexes:

Code sections:

Attachments: 1. leg2016-920 exh1 purch - sell notice.pdf, 2. leg2016-920 exh2 purch - sell response.pdf, 3. leg2016-920 exh3 tesoro application signed 05-27-14.pdf

| Date | Ver. | Action By | Action | Result |
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Report to Mayor and City Council

Tuesday, October 18, 2016

Discussion

SUBJECT:

CONSIDERATION OF THE PIPELINE FRANCHISE ASSIGNMENT TO TESORO REFINING AND MARKETING COMPANY

I. SUMMARY

On August 8, 2012, BP West Coast Products LLC (BP) and certain of its affiliates including Atlantic Richfield Company (ARCO), ARCO Terminal Services Corporation, and ARCO Midcon LLC, entered into a Purchase and Sale Agreement whereby BP agreed to sell certain assets to Tesoro Refining and Marketing Company LLC (Tesoro) or Tesoro's affiliates. On May 27, 2014, Tesoro submitted an application to the City requesting that the City approve the assignment of three of BP's pipeline franchise agreements. Staff seeks City Council direction on the steps that should be taken regarding the requested assignments to Tesoro.

II. RECOMMENDATION

CONSIDER and PROVIDE direction.

III. ALTERNATIVES

1. DIRECT staff to move forward with the assignment, as submitted.
2. IMPOSE additional terms and conditions upon the franchise and upon the grantee or assignee, which the City Council may deem to be in the public interest.
3. TAKE another action the City Council deems appropriate.

1. IV. BACKGROUND

Tesoro has requested that the City Council consent to the ownership transfer for three BP franchises.

- The 25 year agreement (Ordinance No. 92-962) that was granted to ARCO Terminal Services Corporation in February of 1992.
- The 25 year agreement (Ordinance No. 99-1177) that was granted to ARCO in December of 1999.
- The 25 year agreement (Ordinance No. 00-1204) that was granted to ARCO Midcon LLC in September of 2000.

Assignment Requirements Under the Carson Municipal Code

Section 6818 of the Carson Municipal Code requires that the City Council consent to the sale, transfer, assignment or lease of oil pipelines. The code also requires that an owner wishing to sell, transfer, assign or lease a pipeline file an application with the City **sixty-days prior** to the sale, lease, transfer, assignment or lease. If this condition is not complied with, the franchise ***“shall be subject to forfeiture and the Council may, without notice, by ordinance, repeal the franchise.”***

Section 6818 also permits the City Council to impose additional terms and conditions on the franchise which are deemed in the public interest. Staff has checked City records and we could not find any documents that ARCO or BP filed with the City on the sale of the pipelines to Tesoro in August of 2012.

Chronology

On February 14, 2013, the City of Carson was notified by BP that on August 8, 2012, Tesoro had entered into a Purchase and Sale Agreement with BP and certain of its affiliates (ARCO, ARCO Terminal Services Corporation, and ARCO Midcon LLC) whereby BP agreed to sell certain assets to Tesoro or Tesoro's affiliates (Exhibit No. 1).

On February 27, 2013, the City of Carson Revenue Division provided BP with the steps to be taken in order to ensure continued operation of the three associated ordinances (Exhibit No. 2) while the pipeline inventory was underway.

On May 27, 2014, Tesoro submitted a new application to the City of Carson Revenue Division for the three associated ordinances (Exhibit No. 3).

Under Reporting of Pipeline Footage/ Pipeline Inventory

For the past two years, staff has worked with Tesoro to complete a pipeline inventory in order to ensure that the location and linear footage information on the City's pipeline maps was accurate. The task was complicated by the sheer amount of pipelines owned by ARCO and its affiliated companies. Staff need to review over 15.8 miles of pipeline.

The pipeline inventory was further complicated since it involved a review of various pipeline diameters, their location and lineal footage. For example, ARCO Mid-Con reported 12,612 lineal feet (2.4 miles) of ten-inch pipe alone. The pipes are located in several streets and needed to be verified.

The pipeline inventory has now been satisfactorily updated; however, in consideration of the Carson Municipal Code regulating pipeline franchises, staff seeks the direction of City Council on the steps that should be taken regarding the following three requested transfers of ownership.

V. FISCAL IMPACT

Tesoro continues to pay franchise fees of approximately \$134,000.00 annually for the three agreements that are being requested for assignment. The correction of under-reported pipeline footage provides an ongoing increase of \$32,894.00 to the associated franchise agreement revenue. In accordance with the City of Carson Municipal Code, there will also be one time fees recovered for the additional footage.

VI. EXHIBITS

1. Notice of Purchase and Sell Agreement dated February 14, 2013 between BP and Tesoro to the City. (pgs. 4-5)
 2. City of Carson February 27, 2013 response to Notice of Purchase and Sell Agreement. (pgs. 6-7)
 3. Tesoro Application
submitted to the Revenue Division on May 27, 2014. (pg. 8)
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