



CITY OF CARSON

Legislation Text

File #: 2018-892, Version: 1

Report to Mayor and City Council

Tuesday, January 08, 2019

Consent

SUBJECT:

CONSIDER ADOPTING ORDINANCE NO. 19-1901 FOR THE RENEWAL OF A NONPUBLIC UTILITY PIPELINE FRANCHISE TO SHORE TERMINALS LLC, AMENDING ORDINANCE NO. 99-1159 (CITY COUNCIL)

I. SUMMARY

Shore Terminals, LLC is requesting the renewal of their nonpublic utility pipeline franchise to keep their nonpublic utility pipeline in service, while the pipeline is not in use. Shore Terminals, LLC will be paying the higher franchise agreement fees granted to Tesoro Refining & Marketing Company, LLC and Torrance Pipeline Company, LLC, a subsidiary of PBF Holding Company, LLC, which was adopted October 2, 2018. As a result, Shore Terminals, LLC will be paying the City an additional \$13,961.97 annually and a total of \$209,429.55 during the 15-year term of this agreement.

II. RECOMMENDATION

TAKE the following action:

INTRODUCE FOR FIRST READING, "ORDINANCE NO. 19-1901, AN ORDINANCE OF THE CITY OF CARSON, CALIFORNIA, GRANTING THE RENEWAL OF A NONPUBLIC UTILITY PIPELINE FRANCHISE TO SHORE TERMINALS LLC, AMENDING ORDINANCE NO. 99-1159"

III. ALTERNATIVES

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

IV. BACKGROUND

On April 20, 1999, the City Council adopted Ordinance No. 99-1159 approving the assignment of a nonpublic utility franchise with Wickland Oil Company to Shore Terminals LLC ("Shore") for the remainder of Wickland's twenty-five (25) year term, originally approved in 1991 by Ordinance No. 91-948.

On September 1, 2016, Shore submitted an application for renewal before the term was set to expire on October 1, 2016. Shortly thereafter, Shore submitted a request for the City to allow for abandonment in place. On December 8, 2016, after the City provided the associated criteria for the consideration of abandonment, Shore confirmed in writing that they elected to continue with the renewal as opposed to moving forward with abandonment. Since 2016, Shore has continued to make payments to the City while the City's pipeline franchise requirements were being amended.

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 nonpublic utility pipeline franchise identified as Ordinance No. 99-1159 consists of 7,662 linear feet of pipeline 8 inches in diameter and 8,296 linear feet of pipeline 10 inches in diameter.

On November 27, 2018, the City and Shore met and subsequently agreed on terms that the nonpublic utility pipeline agreement identified as Ordinance No. 99-1159 shall be amended, thereby permitting the City Council to grant the renewal of the franchise to Shore Terminals LLC through the amendment of Ordinance No. 99-1159.

The franchise amendments shall include additional terms for insurance, and an increase in the Base Franchise Fee that will be subject to an annual cost of living adjustment (CPI). The agreed-to fee will increase to \$2.56 per linear foot, which is the same fee that Tesoro (Andeavor) agreed to pay with their franchise renewal in 2017 and that PBF agreed to pay with their 2018 agreement.

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 \$13,961.97, equating to a total of \$209,429.55 in new revenues to the City during the term of this agreement. This amount does not include the annual CPI adjustment, so the actual revenue received by the City over the 15 year term will be greater than this estimate.

VI. EXHIBITS

1. Ordinance 19-1901 (Pages 3-12)

Prepared by: Dr. Maria Slaughter, Director of Public Works