



# CITY OF CARSON

## Legislation Text

File #: 2019-059, Version: 1

### Report to Mayor and City Council

Tuesday, August 06, 2019

Special Orders of the Day

#### **SUBJECT:**

**CONSIDER ADOPTING ORDINANCE NO. 19-1932: AN ORDINANCE OF THE CITY OF CARSON, CALIFORNIA, TO GRANT A NONPUBLIC UTILITY PIPELINE FRANCHISE TO PRAXAIR, INC.**

#### **I. SUMMARY**

Praxair, Inc. is requesting that the City grant it a nonpublic utility pipeline franchise. Praxair will adhere to the same franchise agreement fees as Tesoro Refining & Marketing Company, LLC and Torrance Pipeline Company, LLC, a subsidiary of PBF Holding Company, LLC. As a result, Praxair will be paying the City an additional \$24,875.94 on an annual basis.

#### **II. RECOMMENDATION**

TAKE the following action:

INTRODUCE FOR FIRST READING, "ORDINANCE NO. 19-1932, AN ORDINANCE OF THE CITY OF CARSON, CALIFORNIA, GRANTING A NONPUBLIC UTILITY PIPELINE FRANCHISE TO PRAXAIR, INC."

#### **III. ALTERNATIVES**

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

#### **IV. BACKGROUND**

On October 3, 1989, the City Council adopted Ordinance No. 89-884 granting to Union Carbide Industrial Gases, Inc., a Delaware corporation, a twenty-five (25) year nonpublic utility pipeline franchise within the City of Carson.

On August 7, 1990, the City Council adopted Ordinance No. 90-912, amending Ordinance

No. 89-884, and granting to Union Carbide Industrial Gases, Inc. a renewed twenty-five (25) year nonpublic utility pipeline franchise within the City of Carson.

Effective June 30, 1992, Union Carbide Industrial Gases, Inc. changed its name to Praxair, Inc., a Delaware corporation.

On December 5, 1995, the City Council passed Resolution No. 95-115, approving the addition of 25,574 feet of existing pipeline purchased from GATX Terminals Corporation ("GATX") to the nonpublic utility pipeline franchise granted to Praxair under Ordinance No. 89-884, as amended by Ordinance No. 90-912.

On April 16, 1996, the City Council passed Resolution No. 96-024, approving the addition of 6,151 feet of existing pipeline purchased from GATX, as well as the installation of 1,067 feet of new pipeline, to the nonpublic utility pipeline franchise granted to Praxair under Ordinance No. 89-884, as amended by Ordinance No. 90-912.

On September 6, 2015, the term of the nonpublic utility pipeline franchise granted to Praxair under Ordinance No. 89-884, as amended by Ordinance No. 90-912 expired. Praxair continued to make payments, and filed an application with the City requesting renewal of the nonpublic utility pipeline franchise on March 13, 2017.

City staff has evaluated the relevant pipelines and confirmed the pipeline data, including that the pipeline diameters and lengths are in accordance with the acceptable franchise agreements. The nonpublic utility pipeline franchise identified as Ordinance No. 90-912 consists of 4,586 linear feet of pipeline 6 inches in diameter and 28,550 linear feet of pipeline 8 inches in diameter.

On February 14, 2019, representatives for the City and Praxair discussed the terms for the nonpublic utility pipeline franchise previously granted under Ordinance Nos. 89-884 and 90-912, inclusive of Resolution Nos. 95-115, 96-024, and 01-086, thereby facilitating City Council's approval of Ordinance 19-1932 granting Praxair a nonpublic utility pipeline franchise.

The franchise agreement 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 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 \$24,875.94, equating to a total of \$248,759.40 in new revenues to the City during the ten (10) year term of this agreement. This amount does not include the annual CPI adjustment, so the actual revenue received by the City over the term of this agreement will be greater than the estimate.

**VI. EXHIBITS**

1. Ordinance 19-1932. (pgs 3 - 10)

1.

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