



CITY OF CARSON

Legislation Text

File #: 2022-421, Version: 1

Report to Mayor and City Council

Tuesday, May 17, 2022
Special Orders of the Day

SUBJECT:

PUBLIC HEARING TO CONSIDER ADOPTING ORDINANCE NO. 22-2212, AN ORDINANCE OF THE CITY OF CARSON, CALIFORNIA, TO GRANT A NONPUBLIC UTILITY PIPELINE FRANCHISE TO ULTRAMAR INC.

I. SUMMARY

Ultramar Inc. ("Ultramar") is requesting that the City grant it a nonpublic utility pipeline franchise. On April 19, 2022, the City Council adopted a resolution declaring its intention to grant a nonpublic utility pipeline franchise to Ultramar and to hold a public hearing for all persons having interest in or any objection to the matter. Ultramar will adhere to the same franchise agreement fees as other pipeline companies approved by City Council in recent years, such as Tesoro Refining & Marketing Company, LLC, Torrance Pipeline Company, LLC, Shore Terminals, LLC, and Praxair, Inc. As a result, Ultramar will be paying the City an additional \$88.00 for the first year and \$93.13 for each year thereafter, which results in a total of \$1,857.28 in increased revenues and \$5,217.28 in total revenues over the course of the 20-year term of the franchise (10 years plus two 5 year options to extend).

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. 22-2212, AN ORDINANCE OF THE CITY OF CARSON, CALIFORNIA, TO GRANT A NONPUBLIC UTILITY PIPELINE FRANCHISE TO ULTRAMAR INC."

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

On April 1, 1997, the City Council adopted Ordinance No. 97-1111 which repealed Ordinance No. 83 - 652 in its entirety and superseded the franchise granted to Champlin Petroleum Company by Ordinance No. 83-652, while granting a 25-year term nonpublic utility franchise to Ultramar Inc. ("Ultramar"). On May 1, 2022, the term of the nonpublic utility pipeline franchise granted to Ultramar under Ordinance 97-1111, expired. Ultramar has continued to make payments in accordance with the terms of Ordinance 97-1111.

On March 28, 2022, Ultramar filed a complete application with the City requesting renewal of the nonpublic utility pipeline franchise. For the period between May 1, 2022 (expiration of previous franchise) until the currently proposed ordinance gets adopted and goes into effect, Ultramar will be operating the nonpublic utility pipelines without City approval in violation of the City of Carson Municipal Code.

City staff has evaluated the relevant pipeline and confirmed the pipeline data, including the pipeline length, and confirmed that the pipeline length is 100 feet and consistent with the franchise granted through Ordinance No. 97-1111.

In March 2022, the City and Ultramar agreed to the terms of the renewed franchise proposed and as set out in the proposed Ordinance, including for the Base Granting Fee, Base Franchise Fee, retroactive application of the Base Franchise Fee commencing May 1, 2022 when the previous pipeline franchise expired until the proposed Ordinance goes into effect, insurance, and an increase in the base franchise fee that will be subject to an annual cost of living adjustment (CPI). The agreed upon fee will increase to \$2.56 per lineal foot, which is the same fee that Tesoro Refining & Marketing Company, LLC, Torrance Pipeline Company, LLC, Shore Terminals, LLC, and Praxair, Inc. all agreed to pay with their franchise renewals beginning 2017. Ultramar will also pay City the base franchise fee to cover the period after the existing franchise expires until the renewed franchise goes

into effect and pay City a base granting fee of \$1,600 per the City's Pipeline Franchise Ordinance. The term of the renewed franchise will be 10 years plus there will be two 5-year options to extend, consistent with Section 1002 of the City Charter.

In accordance with Section 1001 of the City Charter, on April 19, 2022, the City Council passed Resolution No. 22-061, declaring its intention to grant a nonpublic utility pipeline franchise to Ultramar, stating the character of the franchise and the terms and conditions upon which it is proposed to be granted, and fixing the date of May 17, 2022, 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 the updated rate of \$2.56 per linear foot and the revised rate calculation methodology, the annual increase in fees will total approximately \$88.00 for the first year and \$93.13 for each year thereafter, equaling a total of \$1,857.28 in increased revenues and \$5,217.28 in total revenues to the City during the 20 year term of the renewed franchise (10 years plus two 5 year options to extend), plus the base granting fee of \$1,600 and the retroactive base franchise fees covering the period from expiration of the existing franchise 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. Pursuant to Charter Section 1001.B, City Council may set and collect any franchise fee it deems reasonable so long as such fee is not arbitrary or confiscatory.

VI. EXHIBITS

1. Ordinance No. 22-2212

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