

DOCKETED

Docket Number:	16-RPS-02
Project Title:	Appeal by Los Angeles Department of Water & Power re Renewables Portfolio Standard Certification Eligibility
TN #:	213041
Document Title:	31 Kern River 2000 City Council Action (Bates Nos. LA000562-LA000564)
Description:	N/A
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Organization:	LADWP
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J. MICHAEL CAREY
City Clerk

CITY OF LOS ANGELES

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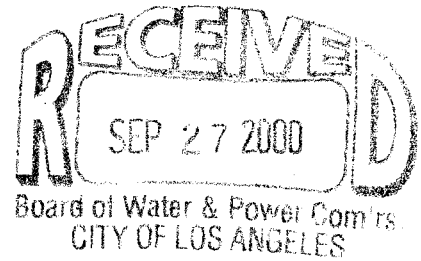
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MAYOR

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When making inquiries
relative to this matter
refer to File No.

99-0283

Res. # 001-014
Bd Mtg 7-18-00



September 20, 2000

✓ Honorable Richard Riordan, Mayor
Board of Water & Power Commissioners
Attn: J. Burmahln
Department of Water & Power
City Attorney
Office of Administrative &
Research Services
Chief Legislative Analyst

Kern River Gas Transmission Company
295 Chipeta Way
Salt Lake City, Utah 84108
Attn: Kirk Morgan

RE: TERM DIFFERENTIATED RATE PRECEDENT AGREEMENT WITH KERN RIVER GAS
TRANSMISSION COMPANY

At the meeting of the Council held September 19, 2000, the following
action was taken:

Attached report adopted	_____ X
Attached motion () adopted.....	_____
Attached resolution adopted ().....	_____
Mayor concurred.....	_____
FORTHWITH.....	_____
Ordinance adopted.....	_____
Ordinance number.....	_____

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TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your COMMERCE, ENERGY AND NATURAL RESOURCES Committee
reports as follows:

	<u>Yes</u>	<u>No</u>
Public Comments	<u>XX</u>	<u> </u>

COMMERCE, ENERGY AND NATURAL RESOURCES COMMITTEE REPORT relative to a Term Differentiated Rate Precedent Agreement between the Department of Water and Power (DWP) and the Kern River Gas Transmission Company (KRG T).

Recommendation for Council action:

CONCUR with the Board of Water and Power Commissioners' (Board) Resolution No. 001-014, authorizing DWP to enter into Term Differentiated Rate (TDR) gas transportation service with KRG T.

Fiscal Impact Statement: The Office of Administrative and Research Services (OARS) reports that the Term Differentiated Rate Precedent Agreement will have no immediate impact on the existing contract expenditures. If the Federal Energy Regulatory Commission approves a TDR structure which revises the gas transportation tariff, DWP would have the option to develop and approve an amendment to the existing agreement, and thus impact expenditures. Such an amendment will also require separate Council approval.

TIME LIMIT FILE - SEPTEMBER 19, 2000
LAST DAY FOR COUNCIL TO ACT - SEPTEMBER 19, 2000

Summary:

At the August 8, 2000, meeting of the Commerce, Energy and Natural Resources Committee, the Committee considered an OARS report dated May 23, 2000, and the Board's communication relative to authorizing entering into TDR gas transportation service with Kern. This agreement replaces a previous agreement, BP99-002, adopted by the Board on February 16, 1999, and approved by Council on April 7, 1999, which authorized DWP to enter into a TDR Precedent Agreement with KRG T in which DWP would receive lower gas transportation rates in exchange for extending the term of its gas transportation contract with KRG T. KRG T has offered to enter into a newly substituted TDR Precedent Agreement, BP 99-002A, that provides enhanced provisions favorable to DWP.

DWP reports that the rate structure of the existing KRG T agreement obligates DWP to pay a rate that is currently much higher than the market value for such service. Under the terms of the existing agreement all KRG T firm transportation customers, including DWP, are obligated to pay for such natural gas transportation service at rates approved by the Federal Energy Regulatory Commission (FERC). At the current FERC approved rates, DWP is obligated to pay

DWP reports that TDR Precedent Agreement BP99-002A will allow DWP and KRGT to substitute an amended transportation agreement to include a reduced TDR rate for a 15 year term, taking effect on October 1, 2001. This 15 year term will effectively extend the DWP and KRGT existing Agreement duration by approximately nine years and seven months. This reduces the annual above-market reservation costs of the existing agreement by approximately 36 percent. DWP reports that by obtaining interstate natural gas transportation service from KRGT at reduced and competitive TDR rates, DWP will significantly reduce its natural gas transportation costs. DWP reports that in order to prepare and develop a reduced rate structure for an extended contract duration, KRGT must obtain commitments in the form of a TDR Precedent Agreement from all prospective customers desiring TDR service. Following receipt of the commitments from all existing and new KRGT customers in the form of TDR Precedent Agreements, KRGT will seek FERC approval of the new rate structure. KRGT and DWP, as well as other KRGT TDR customers, will then develop amendments to their existing agreements, as necessary, to accommodate the TDR rate structure concurrent with the FERC approved rates. DWP additionally reports that it has the discretion not to take service at TDR rates if the initial rate eventually approved by the FERC exceeds that specified by DWP in its Precedent Agreement.

Respectfully submitted,

COMMERCE, ENERGY AND ~~NATURAL~~ RESOURCES COMMITTEE

Pati Galanfer
Romy Danning Jr.
RPT.

ADOPTED

SEP 19 2000

LOS ANGELES CITY COUNCIL

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