

## DOCKETED

<b>Docket Number:</b>	16-RPS-02
<b>Project Title:</b>	Appeal by Los Angeles Department of Water & Power re Renewables Portfolio Standard Certification Eligibility
<b>TN #:</b>	213044
<b>Document Title:</b>	35 Kern River 2001 City Council Action (Bates Nos. LA000583-LA000586)
<b>Description:</b>	N/A
<b>Filer:</b>	Pjoy Chua
<b>Organization:</b>	LADWP
<b>Submitter Role:</b>	Applicant
<b>Submission Date:</b>	8/30/2016 12:59:39 PM
<b>Docketed Date:</b>	8/30/2016

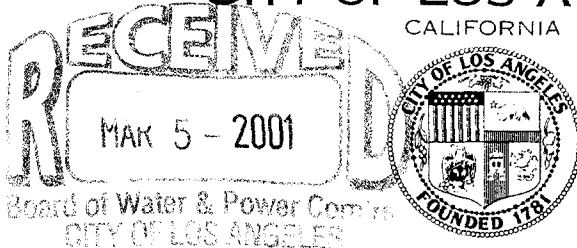
J. MICHAEL CAREY  
City Clerk

FRANK T. MARTINEZ  
Executive Officer

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

CITY OF LOS ANGELES

CALIFORNIA



RICHARD J. RIORDAN  
MAYOR

✓ John Burmahln

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HELEN GINSBURG  
Chief, Council and Public Services Division

99-0283

February 26, 2001

Res. # 001-153  
Bd Mtg. 1-16-01

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

Controller: Room 1200  
Accounting Division, F&A  
Disbursement Division

RE: EXTENDED TERM RATE AMENDMENT WITH THE KERN RIVER GAS TRANSMISSION  
COMPANY FOR GAS TRANSPORTATION SERVICE

At the meeting of the Council held February 23, 2001, the following  
action was taken:

Attached report adopted .....	_____
Motion adopted to approve attached communication recommendations.....	_____ X
Attached resolution adopted () .....	_____
Mayor concurred.....	_____
FORTHWITH.....	_____
Administrative Exemption approved.....	_____ X

J. Michael Carey

City Clerk  
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FEB 16 2001

Rule 70  
54/23/01

COMMUNICATION

TO: LOS ANGELES CITY COUNCIL

File No. 99-0283

FROM: COUNCILMEMBER RUTH GALANTER, Chair  
COMMERCE, ENERGY AND NATURAL RESOURCES COMMITTEE

Public Comments Yes No  
                                  \_\_\_ XX

ADMINISTRATIVE EXEMPTION and COMMUNICATION FROM CHAIR, COMMERCE, ENERGY AND NATURAL RESOURCES COMMITTEE relative to an Extended Term Rate Amendment with the Kern River Gas Transmission Company for gas transportation service.

Recommendations for Council action:

1. FIND that this action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) of 1970, pursuant to Article III, Section 1 of the City's Environmental Guidelines.
2. CONCUR with the Board of Water and Power Commissioners' Resolution No. 001-153, which authorizes an Extended Term Rate Amendment (ETRA) to enter into ETRA gas transportation service with the Kern River Gas Transmission Company.

*RG*  
Fiscal Impact Statement: The Office of Administrative and Research Services reports that approval of this recommendation is not expected to have any significant impact on the General Fund. Expenditures under Agreement No. 10870 with Kern River Gas Transmission Company and the Extended Term Rate Amendment will be made from the Department of Water and Power's Power Revenue Fund. The total authorized expenditures under Agreement No. 10870 will increase by approximately \$97 million due to extending the term for nine years and seven months. Annual costs will be reduced by approximately \$7.1 million.

TIME LIMIT FILE - MARCH 20, 2001

LAST DAY FOR COUNCIL ACTION - MARCH 20, 2001

Summary:

At the February 13, 2001 meeting of the Commerce, Energy and Natural Resources Committee, the Chair considered an Office of Administrative and Research Services (OARS) report dated February 12, 2001, and the Board of Water and Power Commissioners' (Board) communication and Resolution No. 001-153, relative to Extended Term Rate Amendment (ETRA) to enter into ETRA gas transportation service with the Kern River Gas Transmission Company.

OARS reported that on April 2, 1990 (C.F. 90-1019), the Department

of Water and Power (DWP) entered into the long-term Agreement No. 10870 with the Kern River Gas Transmission Company (KRG T) to provide firm interstate pipeline transportation of natural gas from southwestern Wyoming to Kern County, California for an initial service term of 15 years ending on February 28, 2007. OARS reported that rates for interstate natural gas transportation are approved by the Federal Energy Regulatory Commission (FERC) in the form of a Gas Tariff. The FERC Gas Tariff allows KRG T to recover its annual cost of service through the rates set. DWP Agreement No. 10870 obligates the Department to pay the maximum reservation rate for a specified quantity. KRG T has proposed to offer lower rate options to its firm customers for extended terms of ten and fifteen years. In order to be eligible for the significantly lower ET Rates (previously referred to as Term Differentiated Rates), DWP previously executed a non-binding Letter of Intent on November 13, 1998 and a "binding" Term Differentiated Rate Precedent Agreement (Precedent Agreement) on September 19, 2000 (C.F. 99-0283). To continue to be eligible for the ET Rates, DWP must amend Agreement No. 10870 before March 31, 2001, to suspend the existing "Most Favored Nations" clause and to extend the term to September 30, 2016.

OARS reported that in order to offer ET Rates, KRG T has to obtain FERC approval and to refinance its debt. To facilitate the refinancing process, KRG T has requested that DWP amend Agreement No. 10870 by February 1, 2001, by executing the ETRA. The actual ET Rates will not be known until after KRG T's refinancing is finalized and FERC has approved the rates. OARS reported that because of the way the ET Rate program is structured, the applicable ET Rate will be significantly lower than the current maximum rate that DWP will have to pay if it does not execute the ETRA before March 31, 2001.

OARS reported that there appears to be some unquantifiable risk that the ETRA could become effective without obtaining the benefits of the lower rates because of two currently unknown factors: (1) KRG T's possible failure to obtain refinancing acceptable to it, in its sole discretion; and (2) the final results of protests filed by the Sempra Energy Trading Company with both FERC and the United States District Court. OARS reported that the Department needs to monitor these situations closely in order to exercise its cancellation options where and when they are still available should future developments of either of these remote possibilities threaten to undermine the benefits of the ETRA.

OARS reported that the ETRA has been executed by KRG T and has been approved by the City Attorney as to form and legality. In connection with the original Agreement No. 10870, the City Attorney previously determined that it was not feasible to impose the City's MBE/WBE policies on KRG T. The amended contract would be in compliance with other appropriate City policies and regulations if KRG T would execute a "Certification of Compliance with Child Support Obligations" form. During Committee discussion, the Chair requested that DWP obtain the signed Certification of Compliance

with Child Support Obligations form prior to this matter being considered by Council. **NOTE:** On February 15, 2001, a signed copy of the Certification of Compliance with Child Support Obligations form was faxed to the City Clerk's Office. The DWP representative has stated that upon receipt of the original document, it will be transmitted to the City Clerk to be placed on the Council File.

At the February 13, 2001 meeting of the Commerce, Energy and Natural Resources Committee, the Chair concurred with the Board's communication and Resolution No. 001-153, relative to an Extended Term Rate Amendment with the Kern River Gas Transmission Company for gas transportation service. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,



Councilmember Ruth Galanter, Chair  
Commerce, Energy and Natural Resources Committee

LB  
2/15/01  
#990283

**ADOPTED**  
MOTION ADOPTED TO APPROVE COMMUNICATION RECOMMENDATIONS  
FEB 23 2001

LOS ANGELES CITY COUNCIL  
*Administrative Exemption Approved*