

DOCKETED

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Project Title:	Appeal by Los Angeles Department of Water & Power re Renewables Portfolio Standard Certification Eligibility
TN #:	213058
Document Title:	49 SoCalGas 2004 Master Services Contract Agreement 47349-4 CAO Report (Bates Nos. LA000625-LA000627)
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0150-02859-0005

TRANSMITTAL

TO David H. Wiggs, General Manager The Department of Water and Power	DATE MAR 11 2004	COUNCIL FILE NO.
FROM The Mayor		COUNCIL DISTRICT

**Request for Approval of a Master Services Contract (No. 200403)
for Gas Transmission Service with the
Southern California Gas Company and
the Department of Water and Power**

Transmitted for further processing. See the
City Administrative Officer report attached.


MAYOR

WTF:AVM:10040003t

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: *March 4, 2004*

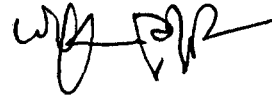
CAO File No. 0150-02859-0005

Council File No.

Council District:

To: The Mayor

From: William T Fujioka, City Administrative Officer



Reference: Correspondence from the Department of Water and Power

Subject: Master Services Contract (No. 200403) with the Southern California Gas Company for Gas Transmission Service

SUMMARY

In accordance with Executive Directive No. 39, the Department of Water and Power (DWP) requests approval of a Master Services Contract (MSC) with the Southern California Gas Company (SoCal). SoCal owns the State authorized franchise to provide gas transmission service to all gas-consuming entities in its service territory. The MSC is a two-year contract required by SoCal to provide service to its utility customers. SoCal also requires re-execution of the MSC every two years. Four DWP generating stations are within the SoCal service territory. Upon receipt of the Mayor's response, the request will be scheduled as an item for the DWP Board of Commissioners (Board) and then forwarded to City Council for consideration. In accordance with Charter Section 373, Council approval is required because the contract may extend beyond three years. The City Attorney has approved the accompanying draft resolution and proposed MSC as to form and legality.

The California Public Utilities Commission (CPUC) deregulated the natural gas industry in California in 1988. Since then, SoCal has charged DWP to deliver natural gas, through its intrastate pipelines, to DWP facilities using natural gas in the production of electricity. Four Schedules are included in the MSC. Each Schedule, one per generating station, shall be an independent agreement, incorporating by reference the terms of the MSC (Section 2 - Applicable Services). Harbor, Haynes, Scattergood and Valley Generating Stations are the four DWP facilities where natural gas is transported through the proposed MSC.

The MSC describes expected gas usage at each generating facility and the type of additional services the utility may request over the two-year term. The term of the proposed MSC is March 1, 2004 to March 1, 2006. However, after it expires, the SoCal transmission services will continue on a month-to-month basis to provide operational continuity, as currently is the case given the previous MSC expired in August 2003. The necessity to insure SoCal's continuous gas transmission services to DWP facilities means the MSC has the potential of extending beyond three years.

Factors used to calculate the cost of gas transmission service include the quantity of natural gas

delivered to DWP facilities and the current tariff rates. In Section 4 - Billing/Payments, the proposed MSC states that DWP will receive one master billing for all services provided, regardless of the generating station served. It also notes that DWP will pay for the services in accordance with all authorized tariffs according to their Rate Class as approved by the CPUC. Each Schedule contains an annual estimate of the natural gas usage requirements. According to DWP staff, an estimated 53 billion cubic feet of natural gas (total) per year will be required by the DWP facilities. Although an approximate cost of service is not given in the proposed MSC, based upon tariff rates and projected natural gas usage requirements, DWP staff estimates an annual amount of \$26.5 million will be paid to SoCal for transmission costs. The draft resolution authorizes payment from the DWP Power Revenue Fund according to the terms of the MSC.

The DWP requests that certain provisions found in Section 10 of the Los Angeles Administrative Code be excluded from the proposed MSC. The City Attorney has stated that the Board has the authority to accept and/or waive policies of the City. Because the MSC is required by SoCal, the State authorized natural gas transportation service provider, DWP requests an exemption from the following listed City provisions: Child Support Policy, Recycled Paper, the Minority and Women Business Enterprise Outreach Program and the Service Contract Worker Retention Living Wage Policy.

RECOMMENDATION

That the Department of Water and Power (DWP) proposed Master Services Contract (MSC) (No. 200403) with the Southern California Gas Company (SoCal) be approved, authorizing a two-year agreement from March 1, 2004 to March 1, 2006, to provide gas transmission service to four DWP generating stations located within the SoCal service territory and that the proposed MSC and draft resolution be returned to the DWP General Manager for further processing, Council approval and execution.

FISCAL IMPACT STATEMENT

The cost of the proposed MSC will be financed from the DWP Power Revenue fund and will have no impact on the City's General Fund.

WTF:AVM:10040003