

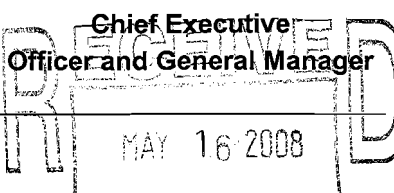


## DOCKETED

<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>	213067
<b>Document Title:</b>	58 SoCalGas 2008 Delegation of Authority for Master Srvcs 47498-6 LADWP Board Ltr for Reso 008-242 (Bates Nos. LA000732-LA00737)
<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 1:31:01 PM
<b>Docketed Date:</b>	8/30/2016

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**LADWP BOARD APPROVAL LETTER**

<b>TO: BOARD OF WATER AND POWER COMMISSIONERS</b>		<b>DATE:</b> May 1, 2008
<b>SUBMITTED BY:</b>		<b>SUBJECT:</b>
 <b>ARAM BENYAMIN</b> Acting Senior Assistant General Manager - Power System		Delegation of Authority Southern California Gas Company Master Services Contract LADWP No. 47498-6
 <b>H. DAVID NAHAI</b> Chief Executive Officer and General Manager		<b>FOR COMMISSION OFFICE USE:</b> <b>RES. No. 008 242</b> MAY 20 2008 3- COPY RESO TO
 <b>BOARD COMMITTEE APPROVAL</b> & Power Com'rs. CITY OF LOS ANGELES		
<b>CITY COUNCIL APPROVAL</b> REQUIRED: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<b>IF YES, BY WHICH CITY</b> <b>CHARTER SECTION: § 373</b>	

**PURPOSE:**

This is to request approval of an ordinance to delegate authority to the Los Angeles Board of Water and Power Commissioners (Board) to extend and amend the Master Services Contract (MSC Agreement), LADWP No. 47498-6, with the Southern California Gas Company (SoCalGas) for intrastate transportation services as authorized by the California Public Utilities Commission (CPUC), which has been previously approved by Board action on June 20, 2006, Resolution No. 006-232.

**BACKGROUND:**

SoCalGas owns the State of California authorized gas distribution franchise allowing it to transport and distribute natural gas in its service territory, including Los Angeles. Distribution service is provided to customers, such as the Los Angeles Department of Water and Power (LADWP), by executing a standard Master Services Contract (MSC) which has been approved by the CPUC. The MSC is subject to the rules and tariffs of the CPUC, but execution does not place the LADWP under the jurisdiction of the CPUC.

Amount and kind of transportation services the electric utility customer will require at each generating station served is identified by MSC. Primary service is transportation of natural gas to gas-fired generating stations for production of electricity. Available related services under the MSC include: storage, parking, loaning, acquisition of access rights, pooling, off system delivery services to Pacific Gas & Electric's (PG&E) system, and wheeling. MSC term is limited to a basic two-year period for firm transportation service and then reverts to a month-to-month interruptible service contract thereafter. It is renewed every two years to restore firm service. Related service terms, as an amendment to the MSC, may vary depending on circumstances.

The need for these related services will be evaluated by the Executive Risk Policy Committee before steps are taken toward acquiring a contract for the services. Because of the need for continuity of firm service, renewals have been sought every two years.

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Therefore the total length of the MSC has extended beyond three years duration and consequently has required periodic re-approval by the City Council.

This is a sole source contract since the SoCalGas owns the sole State of California authorized franchise for providing intrastate gas transportation service to all gas consuming entities in its service territory, which includes the area in which the LADWP's basin generating stations operate, with no other interconnecting pipelines to provide similar service.

The LADWP requests the Agreement be exempted from certain provisions in Section 10 of the Los Angeles Administrative Code that pertain to Child Support Policy, Recycled Paper, the Minority and Women Business Enterprise Outreach Program, the Service Contract Worker Retention Living Wage Policy, and the Right to Audit requirement. This exemption is being requested since the CPUC requires SoCalGas execute this approved pro forma contract with its customers in order to provide gas transportation services to their facilities.

#### **COST AND DURATION:**

Expenditures may total up to \$37 million per year, budgeted in every fiscal year out of the Power Revenue Fund for fuel and purchased power and will be used to pay for transporting natural gas from interstate pipelines to the burner tips of the LADWP's generating stations.

Duration of the base MSC is for an initial period of two years and month to month thereafter until terminated by either party, or further action is taken by either party. The LADWP intends, as a matter of continuing to do business with SoCalGas, to re-execute the MSC every two years and whenever necessary for related services.

The terms for the MSC and related services, of which the base MSC is a necessary part, will be determined upon review and approval by the Executive Risk Policy Committee guided by conditions and limitations listed below:

- Intrastate transportation of natural gas to the LADWP's Basin generating stations limited to no more than 80 billion cubic feet (bcf) per year.
- Storage contracts limited to no more than 2 bcf of inventory space per year with the appropriate amount of injection and withdrawal capacity, as determined upon review and approval by the LADWP's Executive Risk Policy Committee. Furthermore, the contracts shall be limited to three years duration each.
- Parking contracts used to temporarily hold gas in the SoCalGas's system for a short time, ad hoc, until it can be used for generation. This service has never been used but may become necessary to support low capacity factor generation resources such as renewables. Cost will be negotiable subject to review and approval by the LADWP's Executive Risk Policy Committee.

- Loaning contracts used to temporarily borrow gas from the SoCalGas's system for a short time, ad hoc, until more permanent supplies can be obtained. This service has never been used but may become necessary to support low capacity factor generation resources such as renewables. Costs will be negotiable subject to review and approval by the LADWP's Executive Risk Policy Committee.
- Receipt Point Access Contracts used to provide firm access rights to match up to 100% of the LADWP's firm interstate pipeline capacity.
- Pooling contracts used to facilitate the aggregation and disaggregation of gas after arrival at receipt points to assist delivery to the LADWP's basin generation facilities.
- Off System Delivery Service arrangements limited to moving gas through the PG&E gas distribution system to facilitate gas exchanges as necessary to balance the orderly supply of gas to the LADWP's basin generation.
- Wheeling contracts used to temporarily move gas through the SoCalGas's system for short periods of time, ad hoc, to facilitate other gas supply contractual arrangements. This service has never been used but may become necessary to facilitate gas flow arrangements for LADWP-owned reserves and prepay gas. Cost would be negotiable subject to review and approval by the LADWP's Executive Risk Policy Committee.

**FUNDING SOURCE:**

Funding comes from the Power System Fuel and Purchased Power budget in FI 305-3148.

**FISCAL IMPACT STATEMENT:**

This contract will provide for the continued operation of the LADWP's Basin generating stations. The funds will be used to pay for the tariffed service (estimated at \$37 million annually) to deliver natural gas to LADWP Basin generating stations. The benefits comprise the ability to operate the Basin generating stations and allow for additional wholesale sales of electricity. Additional amounts may be spent for related services, such as storage, on a negotiated basis. Combined cost for storage including inventory, injection, and withdrawal has historically been as much as \$3.59 per million British Thermal Units stored.

Parking, loaning, and wheeling services have never been used by the LADWP but are likely to become necessary in the future to support low capacity factor generation resources, such as renewables. Contracts for these services would be subject to review

and approval by the Executive Risk Policy Committee consistent with the principle of being the least cost alternative available to the LADWP.

**TYPE OF INSURANCE COVERAGE(S):** N/A

**PRE-AWARD CHECKLIST:**

Yes ☐ No ☒ N/A ☐ Contract Compliance. This Agreement is authorized by the CPUC as a standard pro forma contract used by the SoCalGas for all its customers. It is not negotiated for the customer's desired special terms.

Yes ☐ No ☒ N/A ☐ Subcontracting Opportunities. There is no service work involved, just the use of SoCalGas's wholly owned pipeline system.

Yes ☐ No ☒ N/A ☐ Service Contractor Worker Retention Ordinance. This is a standard pro forma contract used by the SoCalGas and not subject to modification or the addition of terms by the customer (LADWP).

Yes ☐ No ☒ N/A ☐ Child Support Policy. This is a standard pro forma contract used by the SoCalGas and not subject to modification or the addition of terms by the customer (LADWP).

Yes ☐ No ☒ N/A ☐ Living Wage Ordinance. This is a standard pro forma contract used by the SoCalGas and not subject to modification or the addition of terms by the customer (LADWP).

Yes ☐ No ☐ N/A ☒ Labor Relations Notification. Notice of Compliance is not required. This is an agreement providing intrastate pipeline capacity and gas delivery balancing services.

Yes ☐ No ☐ N/A ☒ Charter Section 1022 Findings. This Agreement, although termed a "services" contract is in reality for the use of pipeline capacity on a pipeline system owned and operated by the SoCalGas. There is no service displacement issue with the LADWP.

**CONTRACT ADMINISTRATION:**

Contract administration will be implemented through electronic scheduling on SoCalGas's computer based nomination system, called Envoy. Services will be monitored using electronic meter records for each generating station and compared to interstate electronic scheduling records. Storage positions and other movements of gas (parking, loaning, and wheeling) can be viewed through Envoy. Invoice certification will be carried out by the Gas Procurement group as it has over the past seventeen and one-half years, and audited by the Risk Control Group in Financial Services Organization.

**FORMAL OBJECTIONS TO AWARD OF CONTRACT:** None.

**JOB OPPORTUNITIES AND TRAINING POLICY:** N/A

**INTERNAL AUDIT:** N/A

**EXTERNAL AUDIT:** N/A

**CHARTER SECTION 1022 FINDINGS AND BASIS THEREOF:**

Not Applicable. The services provided for in the subject Agreement relates to capacity in the pipeline distribution system of SoCalGas.

**MEMORANDUM OF UNDERSTANDING PROPOSED CONTRACT REVIEW  
PROCESS:** N/A

**METHOD OF SELECTION:**

☐ Competitive    ☐ Cooperative Purchase    ☒ Sole Source

As described above, this is a sole source contract because the SoCalGas owns the State of California authorized franchise for providing intrastate gas transportation and distribution services to all gas consuming entities in its service territory, which includes the area in which the LADWP's basin generating stations operate.

Per Charter Section 371 (E) 2, 10:

- (2) Contracts, as determined by the contracting authority, for the performance of professional, scientific, expert, technical, or other special services of a temporary and occasional character for which the contracting authority finds that competitive bidding is not practicable or advantageous.
- (10) Subject to the requirements of Section 1022, contracts (including without limitation those, as determined by the contracting authority, for the performance of professional, scientific, expert, technical or other special services), where the contracting authority finds that the use of competitive bidding would be undesirable, impractical or impossible or where the common law otherwise excuses compliance with competitive bidding requirements.

**OUTREACH EFFORTS TAKEN:**

The SoCalGas has its own State approved MBE/WBE program.

**MINORITY/WOMEN BUSINESS ENTERPRISE (MBE/WBE) SUBCONTRACTING PARTICIPATION: N/A**

**VENDOR HISTORY:**

The SoCalGas has been the sole provider of intrastate gas transmission services in the Southern California region for at least half a century and as long as the LADWP has had gas-fired generation. The current Master Services Agreement LADWP No. 47498-6, expiring on July 1, 2008, will be renewed for firm service effective July 2, 2008, because each Master Services Contract runs for two years for firm service, and then evergreens month to month until terminated by either party or the parties take other further action.

**VENDOR PERFORMANCE:**

Acceptable. No current issues.

**ENVIRONMENTAL DETERMINATION:**

No Impact. In accordance with the California Environmental Quality Act (CEQA), it has been determined that the Agreement is exempt from further requirements under the Los Angeles City CEQA Guidelines, Article III, Section 1, No Significant Effect.

**RECOMMENDATION:**

It is recommended that your Honorable Board adopt the attached resolution and ordinance, approved as to form and legality by the City Attorney, for the delegation of authority to the Board to amend and extend the MSC without further action by the City Council.

RLP:vmd

Attachment

c/att: H. David Nahai

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