

RESOLUTION NO. 024 214**BOARD LETTER APPROVAL**


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**ANSELMO G. COLLINS**  
Senior Assistant General Manager  
Water System

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**SIMON ZEWDU**  
Senior Assistant General Manager  
Power System

Aram Benyamin (Jun 3, 2024 14:52 PDT)

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**ARAM BENYAMIN**  
Chief Operating Officer

Janisse Quinones (Jun 6, 2024 22:41 PDT)

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**JANISSE QUIÑONES**  
Chief Executive Officer and Chief Engineer

**DATE:** May 20, 2024

**SUBJECT:** Approval of License Agreement with Southern California Gas Company for a Gas Compressor Station at Van Norman Lake Reservoir- LADWP File No. W-77492

**SUMMARY**

LADWP is requesting approval of a long-term License Agreement (Agreement) with Southern California Gas Company (Licensee). The Agreement is for a term of 10 years for continued operation and maintenance of a gas compressor station on a portion of LADWP's Van Norman Lake Reservoir property (Licensed Area) located in Granada Hills, California. This Agreement will replace the existing license agreement (Doc No. W-21547) with Licensee that expired on October 31, 2013, and is currently on holdover.

The Agreement will generate revenue of \$31,265 in the first year, and thereafter be subject to annual rental increases of five percent per year for the first five years.

LADWP had originally requested approval of a 30-year license agreement with Licensee, which was approved by the Board of Water and Power Commissioners (Board) at its meeting on September 26, 2023. However, the Agreement was subsequently revised to a 10-year term as advised by the Energy and Environment Committee.

Los Angeles City Council approval is required pursuant to City Charter Section 606.

## **RECOMMENDATION**

It is requested that the Board adopt the attached Resolution recommending City Council's approval of the Agreement, in accordance with City Charter Section 606.

## **ALTERNATIVES CONSIDERED**

The following alternatives were considered:

1. Terminate the existing license agreement and have Licensee restore and surrender the Licensed Area to LADWP.
2. Advertise the Licensed Area for auction through the competitive bidding process.

The above alternatives are not viable, because Licensee is a utility provider serving the neighboring community. Licensee has been using the Licensed Area as a gas compressor station for over 20 years.

## **FINANCIAL INFORMATION**

The term of the Agreement is for 10 years. Annual rent for the initial five-year term is based on appraised value as follows:

<b>Year</b>	<b>Annual Rent</b>
First Year (2024 - 2025)	\$31,265
Second Year (2025 - 2026)	\$32,829
Third Year (2026 - 2027)	\$34,470
Fourth Year (2027 - 2028)	\$36,193
Fifth Year (2028 - 2029)	\$38,003

The first-year rent represents an approximately 97 percent increase from current rent under the existing license agreement. At the end of the fifth year, rent will be reviewed for adjustment pursuant to City Charter Section 607(b).

The Agreement will generate a total revenue of \$172,760 over the initial five-year term. Revenue generated under this Agreement will be applied to the Water System's Revenue Fund.

## **BACKGROUND**

LADWP originally granted to Licensee a five-year license agreement commencing on November 1, 2001, for the construction and maintenance of a gas compressor station. The license agreement was renewed in November 2008 for another five-year term, which expired on October 31, 2013, and is currently on holdover.

The Agreement will replace the existing license agreement and allow the Licensee to continue using and occupying the Licensed Area under a long-term agreement. The Licensed Area is not presently needed for LADWP purposes, and the grant of the Agreement will not interfere with LADWP operations or future needs.

LADWP has negotiated a 10-year license agreement to accommodate Licensee's long-term operational need for this gas compressor station. This Agreement will also reduce LADWP's costs and staff time required for managing the existing short-term license agreement and allow for more efficient administration.

In accordance with the Mayor's Executive Directive No. 4, the City Administrative Officer's (CAO) Report for the originally proposed 30-year license agreement was approved on August 3, 2023. The CAO Report for the revised 10-year license agreement was waived by the Mayor's Office on April 10, 2024.

### **ENVIRONMENTAL DETERMINATION**

Determine item is exempt pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15060 (c)(3). In accordance with this section, an activity is not subject to CEQA if it does not meet the definition of a project. Section 15378 (b)(5) states that organizational or administrative activities that will not result in direct or indirect physical changes in the environment do not meet that definition. Therefore, the adoption of a renewal to a license agreement is not an action subject to CEQA.

### **CITY ATTORNEY**

The Office of the City Attorney has reviewed and approved the Resolution and Agreement as to form and legality.

### **ATTACHMENTS**

- Resolution
- Agreement
- CAO Report Approved on August 3, 2023
- CAO Report Waived on April 10, 2024