



RESOLUTION NO. 024 044

BOARD LETTER APPROVAL

A handwritten signature in black ink, appearing to read "Anselmo G. Collins".

ANSELMO G. COLLINS
Senior Assistant General Manager
Water System

A handwritten signature in black ink, appearing to read "Simon Zewdu".

Simon Zewdu (Sep 13, 2023 12:40 PDT)

SIMON ZEWDU
Interim Senior Assistant General Manager
Power System

A handwritten signature in black ink, appearing to read "Aram Benyamini".

Aram Benyamini (Sep 13, 2023 13:33 PDT)

ARAM BENYAMIN
Chief Operating Officer

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Aram Benyamini (Sep 13, 2023 13:33 PDT)

MARTIN L. ADAMS
General Manager and Chief Engineer

DATE: August 30, 2023

SUBJECT: License Agreement with Southern California Gas Company for a Gas Compressor Station at LADWP's 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 30 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.

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

RECOMMENDATION

It is requested that the Board of Water and Power Commissioners 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 30 years. Annual rent for the initial five-year term is based on appraised value as follows:

Year	Annual Rent
First Year (2022 - 2023)	\$31,265
Second Year (2023 - 2024)	\$32,829
Third Year (2024 - 2025)	\$34,470
Fourth Year (2025 - 2026)	\$36,193
Fifth Year (2026 - 2027)	\$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, and every five years thereafter, 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 30-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 was approved on August 3, 2023.

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