



RESOLUTION NO. 27405

WHEREAS, on recommendation of Management, there was presented for approval, Second Amendment to Master Services Contract DA-4979, including Master Services Contract Schedule A No. 399604, with Southern California Gas Company to extend the term by five (5) years and increase the contract authority by \$5,676,000, for new total not to exceed \$7,776,000, covering intrastate transmission of noncore natural gas for use at the Central Utility Plant at Los Angeles International Airport; and

LAX

Van Nuys

City of Los Angeles

Eric Garcetti
Mayor

**Board of Airport
Commissioners**

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Justin Erbacci
Chief Executive Officer

WHEREAS, in 2015, by Resolution 25644, the Board of Airport Commissioners approved the two (2)-year contract (DA-4979) with Southern California Gas Company (SCG) for \$400,000. And in 2017, by Resolution 26146, the contract was extended through April 1, 2022, with the contract authority increased to \$2,100,000; and

WHEREAS, Los Angeles World Airports (LAWA) expended 100% of the contract authority to-date. Staff has seen overall transmission costs increase since the original term. The increase is due to both rising transmission rates and the addition of new facilities. In Fiscal Year (FY) 2016-2017, LAWA paid an average of 9.18 cents per therm to transport gas. In FY2020-2021, LAWA paid an average of 15.17 cents per therm to transport gas. So far in the first four months of FY2021-2022, LAWA paid an average of 18.26 cents per therm. LAWA also added new facilities, which increased the overall terminal square footage from 3.8 million square feet in 2017 to 5.1 million square feet in 2021. LAWA transmission costs will also continue to increase due to fewer cap-and-trade exemptions available for LAWA to claim, increased state mandated charges, and projected usage increases due to construction of new facilities (project increase of 700K square feet by 2023). Staff currently uses emergency purchase orders to cover gas utility bills until the Second Amendment's execution; and

WHEREAS, Los Angeles International Airport (LAX) expects to use an average volume of approximately 526,000 Metric Million British Thermal Units (MMBTU) of natural gas per year over the next five (5) years, taking into account the increased usage noted above. At the current cost of \$0.1861 per MMBTU and an estimated annual transmission rate escalation of 5%, staff projects the following transmission costs over the next five (5) years:

	Volume (MMBTU)	Transmission Cost per MMBTU	Annual Transmission Cost
Year 1	525,600	\$ 0.1954	\$ 1,027,118.40
Year 2	525,600	\$ 0.2052	\$ 1,078,474.32
Year 3	525,600	\$ 0.2154	\$ 1,132,398.04
Year 4	525,600	\$ 0.2262	\$ 1,189,017.94
Year 5	525,600	\$ 0.2375	\$ 1,248,468.83
Grand Total			\$ 5,675,477.53; and

WHEREAS, over the past three decades, the California Public Utilities Commission (CPUC) has restructured the completely regulated natural gas market to a primarily competitive structure to provide additional supply and service options to customers and end-users. As a result, two categories of natural gas service, core and noncore, were established. Core service is provided to residential and commercial users with average monthly consumption of less than 20,800 therms.



Noncore service is provided to large commercial, industrial, and electric generation customers with average monthly consumption of more than 20,800 therms. LAWA, falling predominantly into the noncore category, uses an average of 223,000 therms each month to power the co-generation equipment for heating and cooling the LAX Central Terminal Area, including the terminals, Central Utility Plant (CUP), Theme Building, and LAWA Administration East Building; and

WHEREAS, as a regulated California utility, SCG does not own natural gas production facilities. Noncore customers must purchase natural gas from a noncore energy provider and pay SCG for its transportation (intrastate transmission service) through SCG's company-owned pipelines. LAWA purchases the noncore gas that is transported through SCG's pipelines from the Los Angeles Department of Water & Power (DWP), taking advantage of DWP's negotiated noncore gas purchase pricing. The Second Amendment also incorporates the CPUC's approved curtailment procedures that enable LAWA to receive higher priority service during gas curtailments; and

WHEREAS, funds for the contract are currently available in FY2021-2022 LAWA Operating Budget in LAX Cost Center 2001598 – FTS Co-Generation System, Commitment Item 523 – Utilities. Funding for subsequent years will be requested as part of the annual budget process; and

WHEREAS, this action, as a continuing administrative activity, is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article II, Section 2.f. of the Los Angeles City CEQA Guidelines. In addition, any activity (approval of bids, execution of contracts, allocation of funds, etc.) for which the underlying project has previously been evaluated for environmental significance and processed according to the requirements of CEQA is exempt from further review pursuant to Article II, Section 2.i. of the Los Angeles City CEQA Guidelines. An Environmental Impact Report was prepared for the CUP Replacement Project and certified by the Board of Airport Commissioners on November 16, 2009 (Resolution 23939); and

WHEREAS, SCG will comply with the provisions of the Affirmative Action Program; and

WHEREAS, SCG has been assigned Business Tax Registration Certificate 0000100071; and

WHEREAS, SCG will comply with the provisions of the Child Support Obligations Ordinance; and

WHEREAS, SCG has approved insurance documents, in the terms and amounts required, on file with LAWA; and

WHEREAS, actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 373;

NOW, THEREFORE, BE IT RESOLVED that the Board of Airport Commissioners adopted the Staff Report; determined that this action is exempt from CEQA pursuant to Article II, Sections 2.f. and 2.i. of the Los Angeles City CEQA Guidelines; found that this action is being taken pursuant to Charter Section 371(e)(10) because competitive bidding would be undesirable, impractical, or impossible; approved termination of the First Amendment to Master Services Contract DA-4979, including Master Services Contract Schedule A No. 392482, with Southern California Gas Company, as of February 1, 2022; further approved the Second Amendment to Master Services Contract DA-4979, including Master Services Contract Schedule A No. 399604, with Southern California Gas Company to extend the term by five (5) years and increase the contract authority by \$5,676,000, for new total not to exceed \$7,776,000, covering intrastate transmission of noncore natural gas for use at the Central Utility Plant at Los Angeles International Airport; and authorized the Chief Executive Officer to execute said Second Amendment to Master Services Contract DA-4979, including Master Services Contract Schedule A No. 399604, with Southern California Gas

Company after approval as to form by the City Attorney and approval by the Los Angeles City Council.

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I hereby certify that this Resolution No. 27405 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, December 16, 2021.

A handwritten signature in blue ink, appearing to read "Grace Miguel", is positioned above the printed name.

Grace Miguel – Secretary
BOARD OF AIRPORT COMMISSIONERS