



SACHI A. HAMAI
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

"To Enrich Lives Through Effective And Caring Service"

Board of Supervisors
HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

JANICE HAHN
Fourth District

KATHRYN BARGER
Fifth District

REVISED

~~August 22, 2017~~ September 19, 2017

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street, Los Angeles, CA 90012

17 October 3, 2017

LORI GLASGOW
EXECUTIVE OFFICER

Dear Supervisors:

APPROVE THE INTRODUCTION OF AN ORDINANCE TO AMEND THE PROPRIETARY PETROLEUM PIPELINE FRANCHISE GRANTED TO STANDARD GAS COMPANY (FIRST, SECOND THIRD AND FOURTH DISTRICTS) (3 VOTES)

SUBJECT

These actions will introduce and schedule for adoption an ordinance to amend the proprietary petroleum pipeline franchise granted to Standard Gas Company by Ordinance No. 92-0090F, to reflect Board consent to change control of the franchise rights from Standard Gas Company, to Chevron U.S.A. Inc., both operating subsidiaries of Chevron Corporation; to extend the term of the franchise through December 31, 2022; and to make other minor revisions to clarify certain terms and conditions of the franchise.

IT IS RECOMMENDED THAT THE BOARD:

1. Find that these actions are categorically exempt under the California Environmental Quality Act pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by the Board on November 17, 1987, and Section 15301 of the State of California Guidelines for implementing the California Environmental Quality Act (Existing Facilities).
2. Approve the introduction and schedule for adoption on September 5 ~~26~~, 2017, an ordinance to amend the proprietary petroleum pipeline franchise granted to Standard Gas Company by Ordinance No. 92-0090F, to reflect Board consent for a change of control of the franchise rights from Standard Gas Company, an Idaho corporation, to Chevron U.S.A. Inc., a Pennsylvania corporation, both operating subsidiaries of Chevron Corporation; to extend the term of the franchise through December 31, 2022, and to make other minor revisions to clarify certain terms and conditions of the franchise.
3. Direct the Chief Executive Officer, the Director of Public Works, and County Counsel, to work with the County's existing Oil and Gas Strike Team to develop a plan to oversee the safety of pipelines carrying hazardous materials under the authority of franchises granted within public rights-of-way in the Unincorporated Areas and to ensure compliance with all applicable Federal and/or State regulations, and report back to the Board within 90 days.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

Approving and adopting the accompanying ordinance will amend the proprietary petroleum pipeline franchise the Board granted to Standard Gas Company (SGC) by Ordinance No. 92-0090F, to reflect Board consent for a change of control of the franchise rights from SGC, an Idaho corporation, to Chevron U.S.A. Inc., a Pennsylvania corporation, both operating subsidiaries of Chevron Corporation; to extend the term of the franchise through December 31, 2022; and to make other minor revisions to clarify certain terms and conditions of the franchise.

If this franchise is approved by the Board, it will require that within one year Chevron U.S.A. Inc. shall provide evidence satisfactory to the County, that all Chevron U.S.A. Inc. "static, abandoned, idle, and out-of-service" pipelines have either been inspected and integrity tested for active use in compliance with applicable Federal and/or State pipeline regulations, or have been approved for removal or abandonment in compliance with Los Angeles County Code, or the franchise may be terminated at the sole discretion of the County. Chevron U.S.A. Inc., will be required to prepare a testing procedure, for approval by the County, and have the testing and verification of abandoned lines be completed by a certified testing agency, with oversight being provided by the appropriate County, State, and/or Federal agency to ensure compliance of the regulations throughout the term of the franchise.

This action further directs the Chief Executive Office (CEO) and other County departments to work with the county's existing Oil and Gas Strike Team to ensure timely compliance of current Federal and State compliance regulations for all pipelines, whether active or abandoned, that transport hazardous materials within areas covered by franchises in the Unincorporated Areas of the County, and to report back to the board with a plan to address this issue.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan Goal 3 ("Realize Tomorrow's Government Today") directs that we pursue operational effectiveness, fiscal responsibility, and accountability. Approving and adopting the accompanying ordinance for a change of control of the franchise rights accomplishes this goal.

FISCAL IMPACT/FINANCING

The County of Los Angeles (County) has received a one-time fee of \$2,500 to process an amending ordinance as required in the franchise agreement (Section 6.G.2), and will continue to receive an annual franchise fee calculated using the linear footage rates in the franchise, adjusted upward annually using the Producer Price Index. The adjusted annual franchise fee paid to the County for the 2016 calendar year was \$3,640.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

In September 1992, the Board adopted Ordinance No. 92-0090F, granting SGC, an Idaho corporation, a proprietary petroleum pipeline franchise for a term of 25 years that expires ~~expired~~ August 29, 2017. The franchise granted SGC the right to maintain and operate petroleum pipelines in County highways in five unincorporated franchise areas (Parts A to E) as follows: Part A: East Los Angeles Area; Part B: West Los Angeles Area (Sawtelle/VA Center); Part C: La Mirada Area; Part D: Carson Area (Rancho Dominguez); and Part E: Harbor Corridor Area (West Carson).

The parent company of SGC is Chevron Corporation (CVX), an integrated energy and chemical company that reported 2016 earnings of over \$2.1 billion from its operating subsidiaries, including Chevron U.S.A. Inc. (CUSA), and Chevron Pipe Line Company (CPL). Although SGC was incorporated in Idaho in 1932 and is still registered as a foreign corporation in California, when the SGC franchise was granted in 1992, CUSA was the primary operating subsidiary of CVX. CUSA now owns the SGC assets in the County and manages and operates most of CVX's business operations in the United States. CVX has designated its CPL subsidiary as operator of the CUSA pipelines installed in County highways.

Adopting the amending ordinance will extend the term of the SGC franchise that would otherwise expire August 29, 2017, and reflect Board consent for a change in control of the franchise rights from SGC to CUSA, both operating subsidiaries of CVX. CUSA owns and CPL operates a total of 12,603 linear feet of pipelines installed in County highways located in the unincorporated areas set forth on Exhibit 1 accompanying this recommendation.

The Department of Public Works has reviewed this recommendation and expressed no objection. County Counsel has reviewed and approved as to form the amending ordinance.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

This franchise amendment will not negatively affect or impact any current services or future projects.

CONCLUSION

It is requested that the Executive Office, Board of Supervisors, return a certified copy of this adopted recommendation and the certified ordinance to Mr. Ray Riddle, Senior Land Representative, Chevron Pipe Line Company, 2600 Homestead Place, Rancho Dominguez, CA 90220, the Department of Public Works, and the Chief Executive Office, Real Estate Division.

Respectfully submitted,



SACHI A. HAMAI
Chief Executive Officer

SAH:DPH:CMM
KW:RB:ls

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Public Works

EXHIBIT 1

Chevron U.S.A. Inc.

Proprietary Petroleum Pipelines

Los Angeles County Highways

Part A: East Los Angeles Area (SD1)

Wastewater Pipelines:

158 linear feet of 2" pipe and 47 linear feet of 6" pipe;

Part B: West Los Angeles Area (SD3)

(Uninc. Sawtelle/VA Center)

Petroleum Products Pipeline:

7,127 linear feet of 8" pipe;

Part C: La Mirada Area (SD4)

Gas Pipelines:

28 linear feet of 6" pipe, 2,436 linear feet of 8" pipe, and

256 linear feet of 10" pipe;

Part D: Carson Area (SD2)

(Uninc. Rancho Dominguez)

Petroleum Products Pipelines:

100 linear feet of 14" pipe and 1,400 linear feet of 8" pipe; and

Part E: Harbor Corridor Area (SD2 & SD4)

(Uninc. West Carson)

Petroleum Products Pipeline:

1,051 linear feet of 20" pipe.

Combined Total: 12,603 Linear Feet of Pipelines

SD = Supervisorial District