



SACHI A. HAMAII
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

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"To Enrich Lives Through Effective And Caring Service"

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November 17, 2015

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

Dear Supervisors:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

10 November 17, 2015


PATRICK OZAWA
ACTING EXECUTIVE OFFICER

**APPROVE A TRANSFER OF EXISTING PROPRIETARY PETROLEUM
PIPELINE FRANCHISE RIGHTS, APPROVE THE INTRODUCTION AND
SCHEDULE FOR ADOPTION TWO ORDINANCES TO AMEND TWO
EXISTING PROPRIETARY PETROLEUM PIPELINE FRANCHISES
(SECOND, THIRD, FOURTH AND FIFTH DISTRICTS)
(3 VOTES)**

SUBJECT

Approve a transfer of the existing proprietary petroleum pipeline franchise rights granted to ARCO Midcon LLC by Ordinance No. 2007-0103F, to Tesoro Refining & Marketing Company LLC; approve the introduction and schedule for adoption the accompanying ordinance to amend the ARCO Midcon LLC franchise to reflect a transfer of the franchise rights to Tesoro Refining & Marketing Company LLC; approve the introduction and schedule for adoption the accompanying ordinance to amend the proprietary petroleum pipeline franchise granted to Tesoro SoCal Pipeline Company LLC by Ordinance No. 99-0068F, as amended, to extend the term of the franchise to December 31, 2017.

IT IS RECOMMENDED THAT THE BOARD:

1. Find that this project is categorically exempt under the California Environmental Quality Act pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by the Board of Supervisors on November 17, 1987, and Section 15301 (Existing Facilities) of the State of California Guidelines for the implementation of the California Environmental Quality Act.
2. Approve a transfer of the existing proprietary petroleum pipeline franchise rights granted to ARCO Midcon LLC by Ordinance No. 2007-0103F, to Tesoro Refining & Marketing Company LLC.

3. Approve the introduction, waive reading, and place on the Board of Supervisor's agenda for adoption on November 24, 2015, the accompanying ordinance that amends the ARCO Midcon LLC franchise, to reflect a transfer of the franchise rights to Tesoro Refining & Marketing Company LLC, and make other minor changes to clarify certain provisions in the ordinance.

4. Approve the introduction, waive reading, and place on the Board of Supervisor's agenda for adoption on November 24, 2015, the accompanying ordinance that amends the existing proprietary petroleum pipeline franchise granted to Tesoro SoCal Pipeline Company LLC by Ordinance No. 99-0068F, as amended, to extend the term of the franchise to December 31, 2017, and make other minor changes to clarify certain provisions in the ordinance.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of these recommended actions is for the County of Los Angeles (County) Board of Supervisors (Board) to approve a transfer of the existing proprietary petroleum pipeline franchise rights granted to ARCO Midcon LLC (ARCO Midcon) by Ordinance No. 2007-0103F, to Tesoro Refining & Marketing Company LLC (Tesoro R&M); approve the introduction and schedule for adoption an ordinance to amend the ARCO Midcon franchise to reflect a transfer of the franchise rights to Tesoro R&M; and approve the introduction and schedule for adoption an ordinance to amend the existing proprietary petroleum pipeline franchise granted to Tesoro SoCal Pipeline Company LLC (Tesoro SoCal) by Ordinance No. 99-0068F, as amended, to extend the term of the franchise to December 31, 2017.

The amendment to the ARCO Midcon franchise will transfer the franchise rights to Tesoro R&M, and the amendment to the Tesoro SoCal franchise will extend the term of the franchise to avoid its expiration in December of this year, and allow additional time for the Chief Executive Office and County Counsel to obtain Board approval of proposed updates to the franchise regulations in the County Highway Code (Title 16), prior to renewing these two franchises for a longer term.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan Goal of Operational Effectiveness/Fiscal Sustainability (Goal 1) directs that we maximize the effectiveness of processes, structure, operations, and strong fiscal management to support timely delivery of customer-oriented and efficient public services. Adopting the accompanying ordinances to amend the two franchises granted to ARCO Midcon and Tesoro SoCal is consistent with this goal.

FISCAL IMPACT/FINANCING

As required in the ARCO Midcon and Tesoro R&M franchises (Sections 6.G.2), the County has received a one-time fee of \$5,000 to process an ordinance to amend the ARCO Midcon franchise, to transfer the franchise rights to Tesoro R&M, and received a one-time fee of \$5,000 to process an ordinance to amend the Tesoro SoCal franchise, to extend the term of the franchise to December 31, 2017.

Both companies will continue to pay an annual franchise fee calculated using the volume of highway space occupied (\$1.50 per cubic foot), adjusted upward annually using the Producers Price Index. For the 2014 calendar year, ARCO Midcon paid an annual fee of \$32,247, and Tesoro SoCal paid an annual fee of \$57,625.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Atlantic Richfield Company (ARCO), and its wholly owned common carrier subsidiary, Four Corners Pipeline Company (Four Corners), and the subsequent owners of their pipeline assets set forth below, have operated petroleum pipelines in County highways for over 40 years. In April 1974, the Board adopted Ordinance No. 10,895 granting ARCO a 25-year franchise, and in January 1983, the Board adopted Ordinance No. 83-0013F granting Four Corners a 25-year franchise.

Then in July 1999, the Board adopted Ordinance No. 99-0068F renewing the ARCO franchise for 15 years, and in April 2000, the Federal Trade Commission (FTC) approved a merger where ARCO became a wholly owned subsidiary of BP Amoco PLC, now BP PLC (BP). In its approval of the merger of ARCO into BP, the FTC required ARCO to liquidate its Four Corners subsidiary, which in 1994 had changed its name to ARCO Pipe Line Company (APLC).

Before the liquidation of APLC, in June 1998, the California Public Utilities Commission approved the removal of the APLC pipelines from common carrier service. In response, in August 2001, the Board adopted Ordinance No. 2001-0078F to transfer certain APLC pipelines (Line 211) to the ARCO proprietary franchise, and amended the ARCO franchise to provide ARCO the franchise rights needed for those APLC pipelines.

After the transfer of Line 211 to ARCO, BP still maintained certain idle pipelines under the APLC franchise (APLC Line 1). In order to renew the APLC franchise before its February 2008 expiration, in November 2007, the Board adopted Ordinance No. 2007-0103F renewing the franchise for 10 years, and approving a transfer of the APLC franchise rights to ARCO Midcon, a BP subsidiary. On that same agenda date, the Board adopted Ordinance No. 2007-0104F, approving a transfer of the ARCO franchise rights to BP West Coast Products LLC (BP West Coast), also a BP subsidiary, and exercising the County's option in the ARCO franchise to change the annual franchise fee calculation to the volume of highway space occupied.

Then in June 2013, BP and Tesoro Corporation (Tesoro) finalized an agreement where Tesoro SoCal, a Tesoro subsidiary, acquired the BP West Coast pipelines, and Tesoro R&M, also a Tesoro subsidiary, acquired the ARCO Midcon pipelines. Given the pending May 2014 expiration of the BP West Coast franchise, in April 2014 the Board adopted Ordinance No. 2014-0019F, transferring the BP West Coast franchise rights to Tesoro SoCal, and extending the term of the franchise to December 31, 2015.

Adopting the accompanying ordinances will amend the ARCO Midcon franchise to transfer the franchise rights to Tesoro R&M, and amend the Tesoro SoCal franchise to extend the term of the franchise to December 31, 2017.

ENVIRONMENTAL DOCUMENTATION

This project is categorically exempt under the California Environmental Quality Act (CEQA) 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 CEQA Guidelines (Existing Facilities).

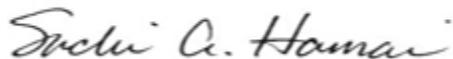
IMPACT ON CURRENT SERVICES (OR PROJECTS)

This project will not impact or negatively affect current services or future projects. The Department of Public Works has reviewed this recommendation and expressed no objection. County Counsel has reviewed and approved as to form the ordinances to amend the ARCO Midcon and Tesoro SoCal franchises.

CONCLUSION

It is requested that the Executive Office, Board of Supervisors, return conformed copies of this adopted recommendation, and both certified ordinances Attention: Ms. Alana L. Edwards, Right of Way Department, Tesoro Corporation, 6 Centerpoint Drive, #5D-036, La Palma, CA 90623, and the offices of County Counsel, Public Works, and the Chief Executive Office, Real Estate Division.

Respectfully submitted,



SACHI A. HAMAI
Chief Executive Officer

SAH:TT
CMM:RB:ls

Enclosures

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