



City of Culver City

Staff Report

File #: 22-14, Version: 1

Item #: C-4.

CC - Adoption of an Ordinance Granting a Franchise to Torrance Valley Pipeline Company LLC for the Operation of an Existing Pipeline, Located in the Public Rights-of-Way, for the Transportation of Oil.

Meeting Date: June 28, 2021

Contact Person/Dept: Jesse Mays, Assistant City Manager
Phone Number: City Manager's Office (310) 253-6000

Fiscal Impact: Yes No **General Fund:** Yes No

Public Hearing: **Action Item:** **Attachments:**

Commission Action Required: Yes No Date:

Public Notification: (E-Mail) Meetings and Agendas - City Council (06/23/2021); Sustainability/Environmental Issues (incl. Oil Drilling/Fracking) (06/22/2021);

Department Approval: John Nachbar, City Manager (06/22/2021)

RECOMMENDATION

Staff recommends the City Council adopt an ordinance granting a franchise to Torrance Valley Pipeline Company LLC for the operation of an existing pipeline, located in the public rights-of-way, for the transportation of oil ("Franchise Ordinance").

BACKGROUND

On May 10 2021, the City Council adopted Resolution No. 2021-R037, which declared the City Council's intention to grant a franchise to Torrance Valley Pipeline Company LLC for the operation of an existing pipeline, located in the public rights-of-way, for the transportation of oil; and set the date, time, and place for a Public Hearing to be June 14, 2021 at 7:00 PM via teleconference, at which any person having any objection to the granting of this proposed franchise may appear before the City Council and be heard. The City Clerk caused a copy of Resolution No. 2021-R037, the Notice of the Public Hearing, to be published in the Culver City News on May 13, 2021.

On June 14, 2021, the City Council held the Public Hearing and no members of the public spoke or filed written comment. Upon the conclusion of the Public Hearing, the City Council unanimously

introduced the proposed Franchise Ordinance. The Franchise Ordinance is now presented for adoption.

DISCUSSION

Torrance Valley Pipeline Company LLC (TVP) operates an underground oil pipeline, known as M-70, which carries heavy crude from the San Joaquin Valley to the Torrance Refinery in Torrance. The pipeline travels approximately 2.72 miles through Culver City underneath various public rights-of-way. A description of the route within the City's boundaries (Attachment 1) and a route map (Attachment 2) are attached. TVP assumed ownership of the pipeline from Exxon Mobil on July 1, 2016. Exxon Mobile first obtained a franchise for the pipeline in 1977, and the City amended the franchise in 1987, 1992, and 2003. Exxon Mobile's franchise expired in 2016, but TVP has continued to adhere to the requirements of the previous franchise, including paying the annual franchise fee and maintaining adequate insurance. TVP has requested that Culver City adopt a new ordinance granting TVP a franchise to operate and maintain the portion of the M-70 pipeline and its appurtenances for the transportation of petroleum products in the City of Culver City. The City has negotiated with TVP over the terms of the franchise agreement since 2016, and the proposed Franchise Ordinance is attached (Attachment 3).

Proposed Franchise

The proposed franchise is for a term of 10 years. TVP is required to pay a one-time \$10,000 administrative fee and an annual franchise fee of approximately \$117,000, with the specific amount determined by annually adjusting a base annual franchise fee amount of \$64,189.85 to reflect the change in the Producer Price Index since September 1992. This is the same base franchise fee that is found in the Exxon Mobile franchise. TVP is required to have emergency crews available to respond within one hour, 24 hours a day, seven days a week, 365 days a year. The proposed franchise agreement includes the existing franchise's oil throughput penalty fee, which is a \$0.05/barrel penalty fee for each barrel of oil throughput over 95,000 barrels per day in years when the annual daily average oil throughput is over 95,000 barrels a day. TVP is required to do an audit of oil throughput every five years to ensure it has paid any required penalty fee. TVP is required to provide annual reports to the City including oil throughput and a summary of all regulatory testing. If the State Fire Marshall does not provide test result data to the City, TVP will provide it to the City.

The proposed franchise provides the City additional protections compared to the current agreement by strengthening TVP's insurance requirements and terms. TVP has agreed to provide a minimum of \$50 million in excess insurance coverage and \$75 million in pollution legal liability insurance coverage. TVP is also required to post a \$200,000 surety bond and a \$100,000 bond for public claims.

A summary of the franchise's key terms is included as Attachment 4.

FISCAL ANALYSIS

If the City Council adopts the proposed Franchise Ordinance, Torrance will pay a one-time \$10,000 administrative fee and approximately \$117,000 in ongoing annual franchise fees for the next 10 years, resulting in a total positive financial impact of \$1,180,000 over the next 10 years.

ATTACHMENTS

1. Pipeline Route Description
2. Pipeline Map
3. Proposed Franchise Ordinance
4. Proposed Franchise Key Terms

MOTION

That the City Council:

Adopt an ordinance granting a franchise to Torrance Valley Pipeline Company LLC for the operation of an existing pipeline, located in the public rights-of-way, for the transportation of oil.