


Approved by:	<b>Jean-Pierre Tabet</b> Deputy Executive Director Commercial Development Group	 _____
ITEM TYPE	<input type="checkbox"/> Award <input checked="" type="checkbox"/> Amendment <input type="checkbox"/> Appropriation <input type="checkbox"/> Policy/Program <input type="checkbox"/> Other	
SUBJECT	Request to adopt the following report and approve the First Amendment to License Agreement LAA-8972 with Shell California Pipeline Company, LLC, to extending the term for an additional 10 years, covering pipeline facilities at Los Angeles International Airport, generating an estimated \$1,094,000 over the 10-year term, assuming a three percent Consumer Price Index adjustment is applied annually.	

Item REQUIRES City Council Approval.    Item is subject only to STANDARD REVIEW by the City Council.

## DISCUSSION

### 1. Background and Necessity of Requested Action

<b>06-20-2011</b>	<b>Resolutions 24505 &amp; 24506</b>	Amendment. Pipeline Agreement
Approved two, five-year Non-Exclusive Pipeline Right-of-Way License Agreements with Shell, Nos. LAA-8593 and LAA-8594 at Los Angeles International Airport (LAX).		
<b>06-15-2017</b>	<b>Resolution 26256</b>	Pipeline Agreement
Approved a 10-year Non-Exclusive Pipeline Right-of-Way License Agreement with Shell at LAX.		

The proposed amendment will allow Shell California Pipeline Company, LLC (Shell) to provide jet and other fuels at LAX for use by commercial and private aircraft and to allow Shell's underground pipeline right of way to facilitate the continuity of its area-wide pipeline network.

Shell operates a large network of oil pipelines throughout California. At LAX, the pipelines provide Jet-A aviation fuel and other fuels that are needed by commercial and private aircraft. Shell currently occupies 25,671 square feet for all four pipeline locations at LAX, with the pipeline feeding the tank farm license being the largest of the four pipelines. Some of the pipelines are part of Shell's pipeline network and simply run through Los Angeles World Airports (LAWA) property.

The proposed amendment to the license agreement aims to extend the current agreement, which is set to expire in July 2026. Additionally, it will reflect the new layout of the relocated pipelines, requested by LAWA as part of the Airfield and Terminal Modernization Project (ATMP) – Roadways Project, located near W. Century Boulevard. Shell has cooperated with LAWA to relocate and remove the pipelines per the terms of their license agreement and has cooperated with the project team at ATMP Roadways to relocate and remove pipelines in the project path at no cost to LAWA.

Los Angeles World Airports will maintain current key elements of the license agreement, such as:

- The right to require Shell to relocate, remove and install pipelines as required by LAWA at the expense of Shell;
- Pipeline appurtenances will be removed at Shell's expense;
- LAWA may require Shell to remove and decommission pipelines at the end of the term at Shell's sole expense;
- Shell will not cause disruption to LAX operations, and;
- Should the License Agreement not be renewed, LAWA will not assume any responsibility associated with the Shell pipelines and Shell will be responsible for the removal, relocation, and/or any required remediation resulting from any clean-up required by Shell.

If this amendment is not approved, it could significantly affect fuel delivery to LAXFUEL, which provides fueling services for domestic, international, and cargo airlines. Furthermore, this situation would also impact the transportation of crude oil from Ventura County to Chevron's Refinery in El Segundo.

2. **Selection Process:**  Competitive process.  Other process.  Not applicable.

3. **Fiscal Impact:**  None.  Revenue generation.  Cost/cost recovery.  Other.

The proposed amendment will generate \$89,079.77 in the first year, with increases in rent per the CPI as of July 1 on each additional year for a total of approximately \$473,000 in the first five years, except for the year in which a reset of rental rates occurs. In the fifth year, a rental rate reset occurs; LAWA will determine the new fair market rental rates by procuring an appraisal, which will set the new fair market pipeline rental rates for the last five years of the 10-year term. Estimated income over the next 10 years is approximately \$1,094,000.

4. **Alternative Actions:**  Alternatives considered.  No alternatives considered.

## APPROPRIATIONS

Appropriation required.  No appropriation required.  Funding is available.

## INCLUSIVITY & IMPACT

Goals/requirements identified.  No goals/requirements stipulated.  N/A or other.

## PROVISIONS

The Chief Executive Officer has approved this item.

The Board of Airport Commissioners is hereby requested to adopt staff's determination that the requested action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines.

The Board is hereby further requested to authorize the Chief Executive Officer, or designee, to execute said First Amendment to License Agreement No. LAA-8972 with Shell California Pipeline Company, LLC subject to approval by the Los Angeles City Council and approval as to form by the City Attorney.

Actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 606.