



CITY OF

NEWPORT BEACH

City Council Staff Report

July 28, 2020
Agenda Item No. 7

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: Mark Vukojevic, Utilities Director - 949-644-3011,
mvukojevic@newportbeachca.gov

PREPARED BY: Joshua Rosenbaum, Senior Management Analyst,
jrosenbaum@newportbeachca.gov

PHONE: 949-644-3011

TITLE: Amendment No. Three to Agreement between the City of Newport
Beach and Hoag Hospital for the Delivery of Natural Gas

ABSTRACT:

The Utilities Department oversees the West Newport oil fields and the excess natural gas that is also produced. Hoag Hospital and the City have had an agreement since 1985 for the delivery of this excess natural gas. Staff is requesting an amendment to the existing Agreement to extend the term of the agreement for an additional two years.

RECOMMENDATION:

- a) Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly;
- b) Approve Amendment No. Three to the Agreement with Hoag Memorial Hospital Presbyterian for delivery of excess natural gas produced from the City-owned oil wells;
- c) Authorize the City Manager to sign future amendments to this Agreement for extensions up to five additional years; and
- d) Authorize the Mayor and City Clerk to execute Amendment No. Three to this Agreement.

FUNDING REQUIREMENTS:

The agreement continues to provide a cost effective manner to remove excess natural gas.

DISCUSSION:

The City's oil field produces natural gas as a by-product of oil production. In 1985, the City entered into an agreement with Hoag Hospital to take delivery of excess natural gas to ensure the long-term operations of the oil fields. A City owned gas line connects the oil well field to Hoag Hospital. Hoag hospital uses the natural gas at their cogeneration facility to produce heat and electricity for the campus.

Over the years, several continuation agreements and amendments have been approved between Hoag and the City. The most current version of the agreement was entered on August 1, 2007. City Council approved term extensions and administrative revisions on April 22, 2008 (Amendment No. One) and on September 14, 2010 (Amendment No. Two). Amendment Number Two expires August 1, 2020.

Staff recommends City Council approve Amendment No. Three of the Agreement, which will extend the Agreement for two additional years. Delivery of the natural gas to Hoag remains the most practical option and ensures that there is no disruption to the City's oil production. Alternative uses for this excess natural gas may develop in the future and staff will continue to investigate them. Staff also recommends that City Council authorize the City Manager to sign future time-extension Amendments (up to five years through 2027) should the terms and conditions of the Agreement remain essentially the same.

ENVIRONMENTAL REVIEW:

Staff recommends the City Council find this action is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

NOTICING:

The agenda item has been noticed according to the Brown Act (72 hours in advance of the meeting at which the City Council considers the item).

ATTACHMENT:

Attachment A – Amendment No. Three to Agreement with Hoag Hospital