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DAVID E. JANSSEN
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September 13, 2005

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

Dear Supervisors:

AN ORDINANCE TO EXTEND THE TERM OF GAS PIPELINE FRANCHISE ORDINANCE NO. 6765, GRANTED TO SOUTHERN CALIFORNIA GAS COMPANY (ALL DISTRICTS) (3 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve an amendment to gas pipeline franchise Ordinance No. 6765, granted to Southern California Gas Company, a California corporation (SoCalGas), to extend the term of the franchise to December 31, 2006.

2. Introduce, waive reading, and place on your Board's agenda of September 20, 2005, for adoption of the accompanying ordinance that implements the above recommendation, becoming effective 30 days from adoption therefrom.

3. Find that 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 your Board on November 17, 1987, and Section 15301 of the State CEQA Guidelines.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

The purpose of the recommended actions is to extend the term of the gas pipeline franchise granted to SoCalGas through December 31, 2006, in order to provide additional time to negotiate the terms and conditions of a new franchise with SoCalGas, to renew its existing franchise rights.

Implementation of Strategic Plan Goals

The County Strategic Plan directs that we provide the public with quality service that is beneficial and responsive (Goal 1). The Board's approval and adoption of an ordinance to extend the term of the SoCal Gas pipeline franchise is consistent with this goal.

FISCAL IMPACT/FINANCING

SoCalGas will pay the County a one-time granting fee of $5,000 to process an ordinance to extend the term of the franchise. SoCalGas will continue to pay an annual fee of two percent of the gross annual receipts arising from the use, operation or possession of the franchise. For the 2004 calendar year, SoCalGas declared over 95 million dollars in gross receipts applicable to the County franchise, and paid the County an annual franchise fee of $1,908,552, and a municipal land use surcharge of $710,741, for a total of $2,619,293.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On September 20, 1955, your Board adopted Ordinances No. 6765, 6766 and 6767, granting three 50-year Countywide gas pipeline franchises to SoCalGas, Southern Counties Gas Company (SoCoGas), and Pacific Lighting Gas Supply Company (PacGas), respectively, which became effective October 21, 1955, and will expire October 20, 2005. Since SoCoGas and PacGas both merged with and into SoCalGas in March 1970 and November 1985, respectively, these two franchises do not need to be extended and will be allowed to expire October 20, 2005.

SoCalGas is the nation's largest natural gas distribution utility and a wholly owned subsidiary of Pacific Enterprises (PE), itself wholly owned by Sempra Energy (Sempra). Sempra is a California-based, publicly-traded Fortune 500 holding company that develops energy infrastructure, operate utilities, and provides products and services to more than 29 million consumers in the United States, Europe, Canada, Mexico, South America and Asia.

SoCalGas is a rate-regulated public utility corporation that buys natural gas on the open market for approximately 5.4 million residential, small commercial and industrial "Core" customers, which use about 33 percent of its annual gas deliveries, and account for 89 percent of its operating profits. SoCalGas also has nearly 1,500 "Non-core" customers, such as electric power plants, industrial and manufacturing facilities, which are very large consumers of gas who buy their own gas supplies and arrange to have the gas transported and delivered to their facilities through the SoCalGas pipeline system.

SoCalGas serves 19.2 million consumers in a 23,000 square mile territory in central and southern California. The SoCalGas pipeline system consists of transmission and storage lines (4,028 mi.), distribution lines (45,493 mi.) service lines (45,963 mi.), 11 compressor stations, and four storage reservoirs with storage capacity of over 122 billion cubic feet.

By letter in August 2005, SoCalGas requested to extend the term of its franchise. Since the SoCalGas franchise is County-wide, allowing the SoCoGas and PacGas franchises to expire will have no adverse effects. The Auditor-Controller performed a limited review of SoCalGas' financial statements. Nothing came to their attention that would indicate problems with extending the franchise. The Department of Public Works and the Fire Department have reviewed the request and have no objections. County Counsel has reviewed the accompanying ordinance to extend the franchise and approved it as to form.

ENVIRONMENTAL DOCUMENTATION

This project is categorically exempt under the CEQA pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15301 of the State CEQA Guidelines.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The recommended Board actions will not impact or adversely affect any current services or future projects.

CONCLUSION

Instruct the Executive Officer, Board of Supervisors, to send conformed copies of the approved Board recommendation and the adopted ordinance to Southern California Gas Company, 555 West Fifth Street, Los Angeles, CA 90013, Attention: Ms. Susan Trigueros, Franchise and Fess Manager, and the offices of County Counsel, Auditor-Controller, Audit Division, Department of Public Works, Fire Department, Petrochemical Unit, and the Chief Administrative Office, Real Estate Division, Property Management, 222 South Hill Street, 3rd Floor, Los Angeles, CA 90012.

Respectfully submitted,

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:CWW
CB:RB:cc

c: County Counsel
Auditor-Controller, Audit Division
Department of Public Works
Fire Department

SCG.b

ANALYSIS

This ordinance extends through December 31, 2006, a franchise to operate a gas pipeline system in the unincorporated area of the County of Los Angeles granted by Ordinance No. 6765.

RAYMOND G. FORTNER, JR.
County Counsel

By
GRACE V. CHANG
Deputy County Counsel
Property Division

GVC:gjh

7/6/05 (requested)
7/22/05 (revised)