County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE
713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
http://cao.co.la.ca.us

DAVID E. JANSSEN
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

June 20, 2006

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:

APPROVE A RESOLUTION OF INTENTION TO GRANT A PETROLEUM PIPELINE FRANCHISE TO PARAMOUNT PETROLEUM CORPORATION TO REFLECT A TRANSFER OF PIPELINES FROM HUNTINGTON PIPELINE & TERMINAL COMPANY AND FROM KINDER MORGAN LIQUIDS TERMINALS LLC (FIRST, SECOND AND FOURTH DISTRICTS) (3 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve a Resolution of Intention to grant a proprietary petroleum pipeline franchise to Paramount Petroleum Corporation, a Delaware Corporation (Paramount), attached hereto as Attachment 1, to reflect a transfer of petroleum pipelines to Paramount from Huntington Pipeline & Terminal Company (Huntington), that Huntington acquired from Powerine Oil Company (Powerine), and from Golden West Refining Company (Golden West), and to reflect a transfer of petroleum pipelines to Paramount from Kinder Morgan Liquids Terminals LLC (KM-Liquids), successor to GATX Terminals Corporation (GATX), setting the matter for public hearing on July 25, 2006 pursuant to Section 6232 of the California Public Utilities Code, and instructing the Executive Officer of the Board to arrange for publishing of a notice of the public hearing.

2. Introduce, waive reading and place on your Board's agenda of July 25, 2006, for adoption an ordinance to repeal the proprietary petroleum pipeline franchise granted to Powerine by Ordinance No. 90-0152F attached hereto as Attachment 2.

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.

AFTER THE PUBLIC HEARING, IT IS RECOMMENDED THAT YOUR BOARD:

Adopt the accompanying ordinance attached to the Resolution of Intention as Exhibit A, awarding a proprietary petroleum pipeline franchise to Paramount for a franchise term through October 14, 2015, the date that is coincidental to the date that the existing Powerine franchise expires, and adopt the accompanying ordinance attached hereto as Attachment 2, to repeal the Powerine franchise that is no longer needed.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

The purpose of the recommended actions is to adopt a Resolution of Intention, schedule a public hearing, publish a notice of the public hearing as needed, to grant a new proprietary petroleum pipeline franchise to Paramount, to reflect a transfer of franchise rights from Huntington and KM-Liquids, and adopt an ordinance to repeal the Powerine franchise that is no longer needed.

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 adoption of two ordinances to grant Paramount a franchise and to repeal the Powerine franchise is consistent with this goal.

FISCAL IMPACT/FINANCING

Paramount has paid the County a $5,000 fee to process an ordinance to grant a franchise. The base rate during the term of the Paramount franchise will be 21 cents per foot for pipelines up to eight inches in diameter, plus three cents per foot for each inch over eight inches. Paramount has paid $6,550 for Golden West and Powerine franchise fees in arrears, and will pay a base annual franchise fee of over $4,500, which will be adjusted annually for inflation using the Producers Price Index, for over 22,500 feet of pipelines that Paramount currently maintains and operates in County highways.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On October 18, 1990, your Board adopted Ordinance No. 90-0152F, granting a 25-year petroleum pipeline franchise to Powerine, which became effective on October 15, 1990 (the operative date noted in the franchise), and will expire on October 14, 2015.

On January 9, 1979, your Board adopted Ordinance No. 11,849, granting a 25-year petroleum pipeline franchise to Gulf Oil Company (Gulf), which became effective on February 9, 1979. By a consent action adopted by your Board in July 1983, the Gulf franchise was transferred to Golden West (and has since expired in February 2004).

During the period from May to August 1998, Powerine and Golden West sold their pipeline systems in Los Angeles County to CENCO Inc., a Delaware corporation and parent company of Huntington, a wholly-owned subsidiary it formed in 1998. In December 1998, CENCO Inc. notified the County of these pipeline transfers and began providing the County the documentation needed to process a recommendation for your Board to approve a transfer of the Powerine and Golden West franchise rights to CENCO Inc.

However, CENCO Inc. was not able to comply with the County's requirement to provide a financial statement that evidenced CENCO Inc. had the financial capability to fulfill the terms and conditions of a County franchise. Accordingly, by assignments in December 1998, CENCO Inc. transferred ownership of the Powerine and Golden West pipeline assets to Huntington, and by assignment in July 2002, Huntington sold the Powerine and Golden West pipelines assets to Paramount.

Additionally, the petroleum pipeline franchise granted to GATX (Ordinance No. 12,409), was originally granted to Conoco Inc. and was transferred to GATX by consent action adopted by your Board in March 1983. However, in February 2001, Kinder Morgan Energy Partners, L.P. acquired 100 percent of the stock of GATX, a Delaware corporation, and changed the company name and registry to KM-Liquids, a Delaware limited liability company. KM-Liquids has requested your Board's consent to the transfer of the GATX GX-145 pipeline system that KM-Liquids transferred to Paramount in November 2002.

Paramount is the leading manufacturer and marketer of asphalt in the Western United States, from its refinery located in Paramount, California, from which Paramount processes 54,000 barrels of crude oil per day into a variety of products, including specialized road and roofing asphalts, diesel fuel, jet fuel, heating oil, and gasoline components. Paramount has requested your Board's consent to these pipeline transfers and has requested that your Board grant Paramount a petroleum pipeline franchise for the unincorporated areas shown on Exhibit 1, Exhibit 2 and Exhibit 3 attached hereto.

The Audit Division of the Auditor-Controller preformed a limited review of the financial statements of Paramount, and based upon the results of the review, this office recommends granting Paramount a franchise. The Department of Public Works and the Fire Department have no objections to granting Paramount a franchise. County Counsel has reviewed the accompanying franchise ordinance 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 adopted Board recommendation and the adopted ordinances to Mr. Stephen Peyton, Manager of Pipeline Operations, Paramount Petroleum Corporation, 14700 Downey Avenue, Paramount, CA 90723, and the offices of County Counsel, Auditor-Controller, Audit Division, Department of Public Works, Construction Division, Permit Section, Fire Department, Petrochemical Unit, and the Chief Administrative Office, Real Estate Division, Property Management Section, 222 South Hill Street, 3rd Floor, Los Angeles, CA 90012.

Respectfully submitted,

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:WLD
CB:RB:dd
Attachments (3)
ParamountPetro.b

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

SERVICE AREA MAPS

THREE PAGES OF SERVICE AREA MAPS

PARAMOUNT PETROLEUM CORPORATION

These maps illustrate the unincorporated areas affected by the franchise and are provided for the convenience of the reader.

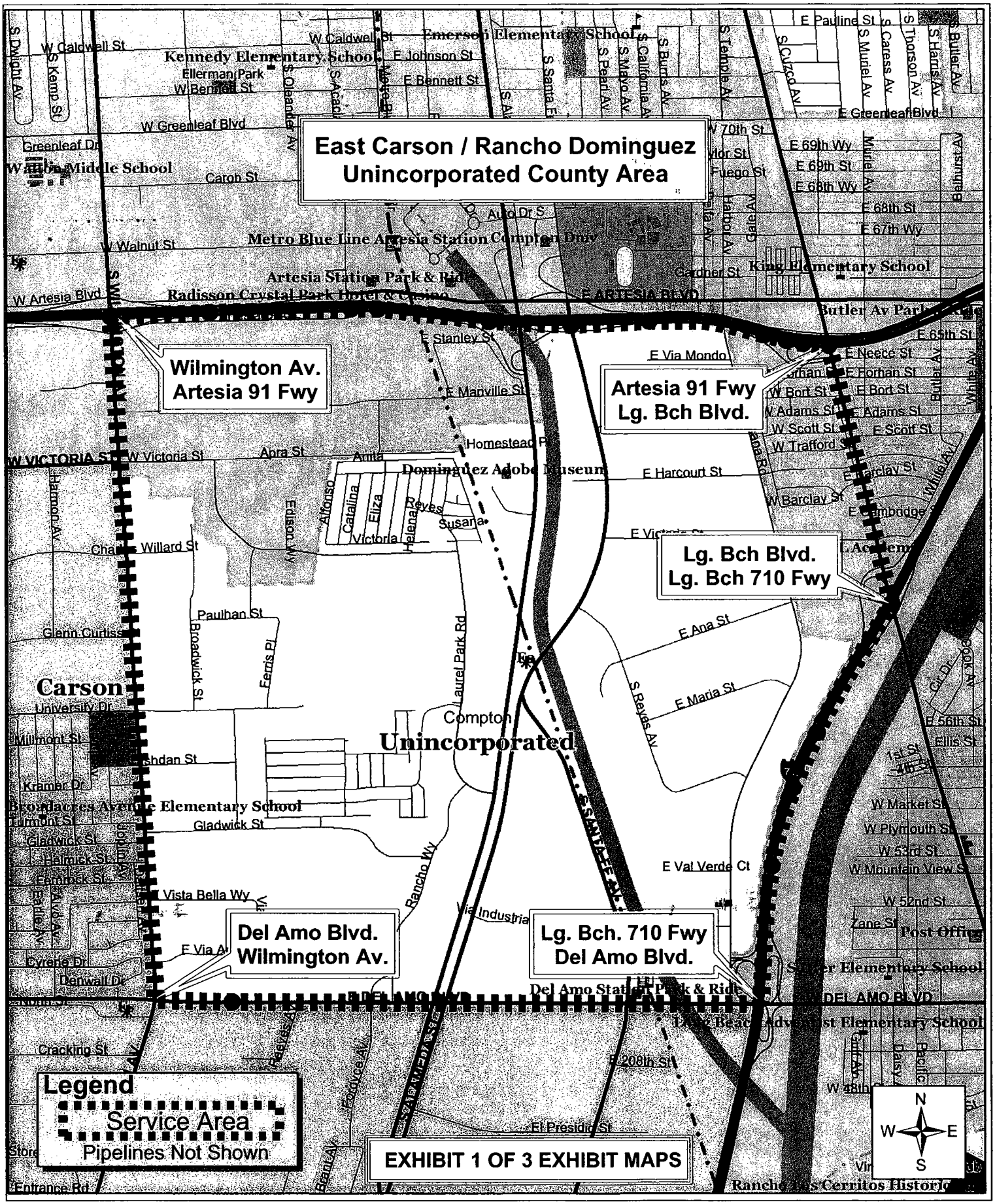


EXHIBIT 1 OF 3 EXHIBIT MAPS

Date March 15, 2006	**COUNTY OF LOS ANGELES - CHIEF ADMINISTRATIVE OFFICE** **Paramount Petroleum Corporation** **Proprietary Petroleum Pipeline Franchise** **Part A: East Carson Rancho Dominguez Unincorporated Area**	Paramount Franchise
Sup Districts 2nd & 4th District		Agent R. Ball

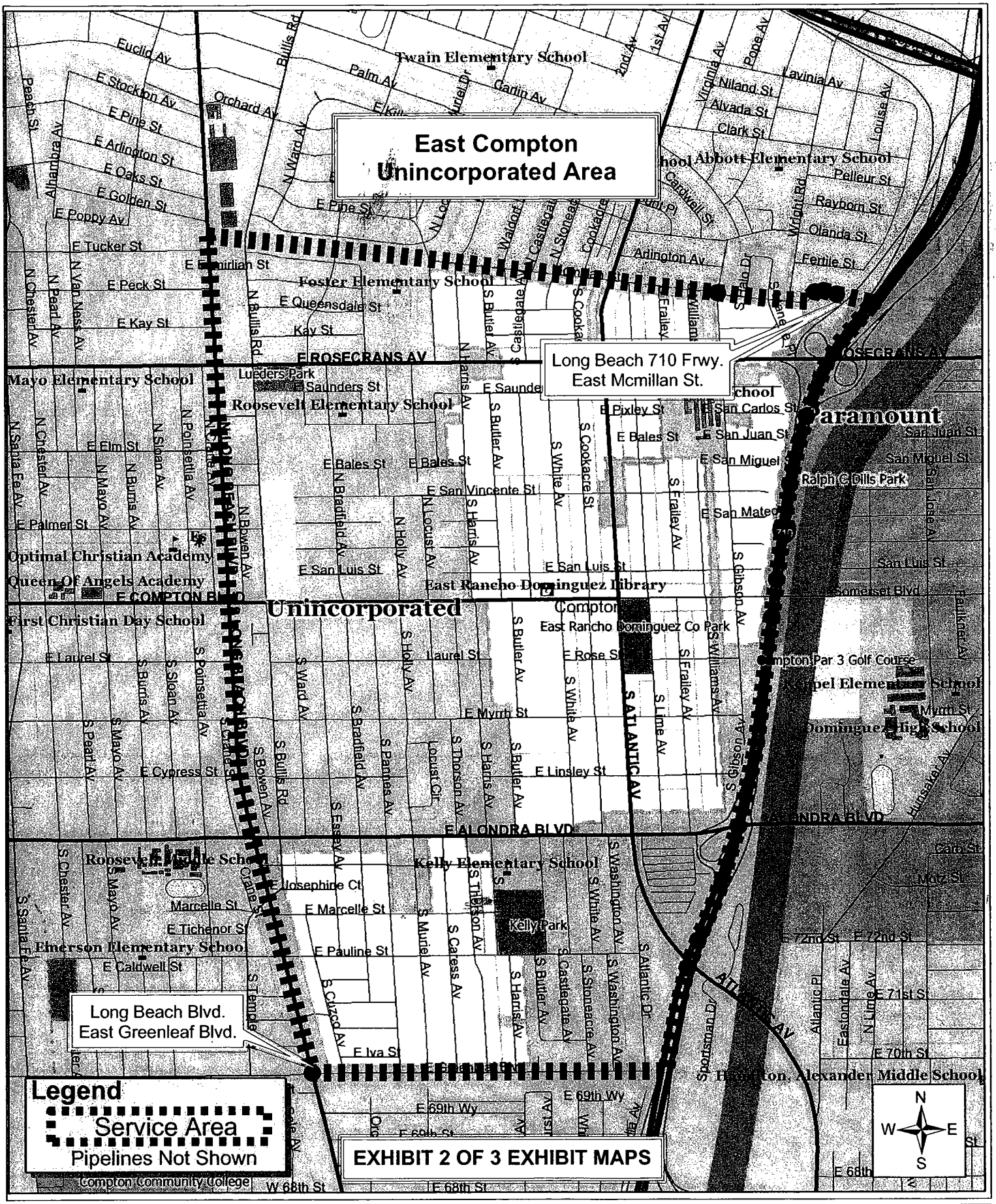
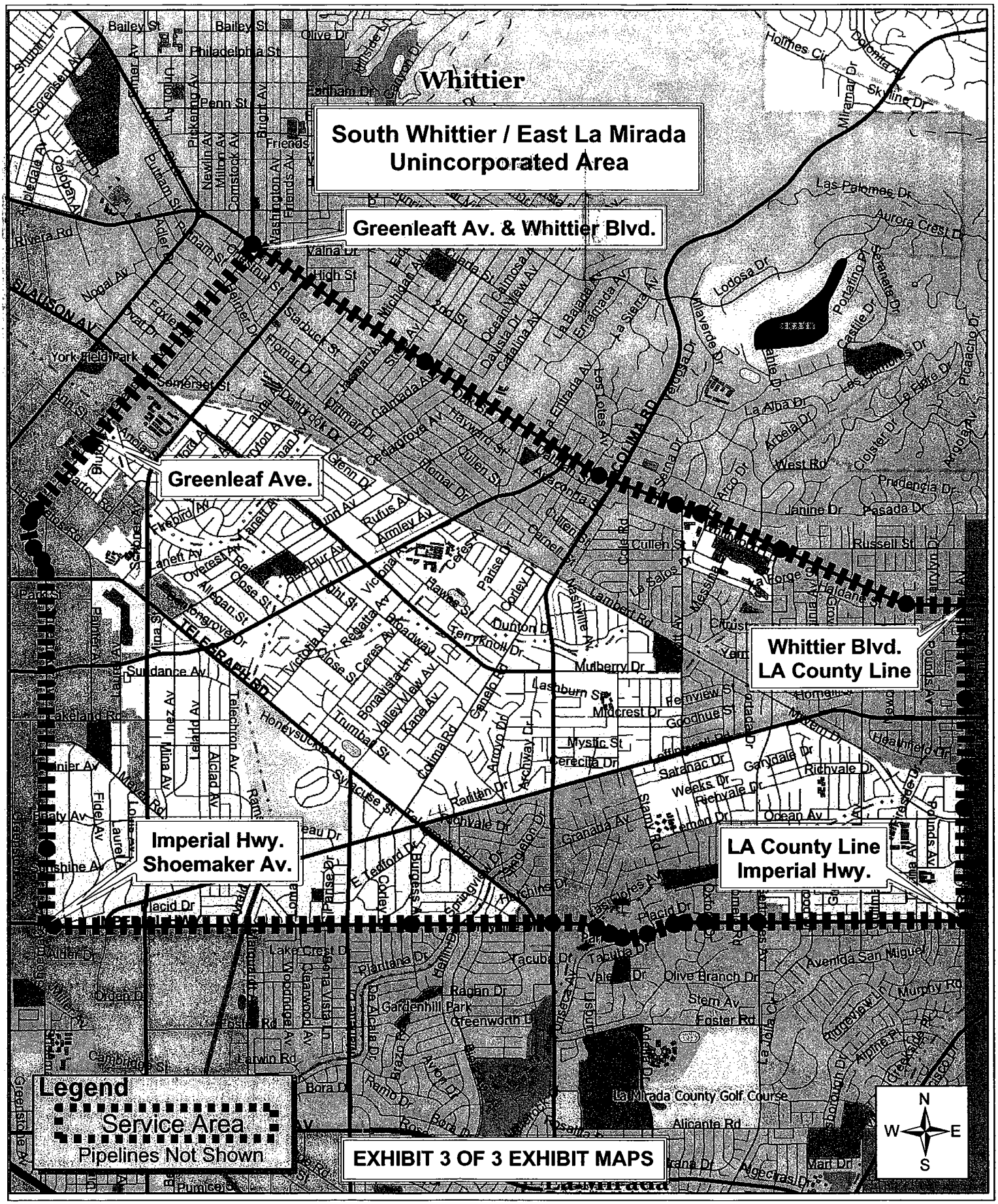


EXHIBIT 2 OF 3 EXHIBIT MAPS

Date March 15, 2006	**COUNTY OF LOS ANGELES - CHIEF ADMINISTRATIVE OFFICE** **Paramount Petroleum Corporation** **Proprietary Petroleum Pipeline Franchise** **Part B: East Compton Unincorporated Area**	Paramount Franchise
Sup Districts 2nd & 4th Districts		Agent R. Ball



Date March 15, 2005	COUNTY OF LOS ANGELES - CHIEF ADMINISTRATIVE OFFICE Paramount Petroleum Corporation Proprietary Petroleum Pipeline Franchise Part C: South Whittier / East La Miarda Unincorporated Area	Paramount Franchise
Sup Districts 1st & 4th Districts		Agent R. Ball

ATTACHMENT 1

RESOLUTION OF INTENTION TO GRANT A

PROPRIETARY PETROLEUM PIPELINE FRANCHISE

TO

PARAMOUNT PETROLEUM CORPORATION

RESOLUTION OF INTENTION TO GRANT A PROPRIETARY PETROLEUM PIPELINE FRANCHISE TO PARAMOUNT PETROLEUM CORPORATION

BE IT RESOLVED by the Board of Supervisors of the County of Los Angeles, State of California:

A. Paramount Petroleum Company, a Delaware corporation ("Franchisee"), has applied to the Board of Supervisors of the County of Los Angeles, State of California, for a franchise for a period through October 14, 2015, to lay, construct, maintain, operate, renew, repair, change the size of, remove, or abandon in place pipes and pipelines for the collection, transportation, and distribution of oil, petroleum, gas, gasoline, other liquid hydrocarbon products, wet gas, industrial gas, chemicals, mud, steam, water, waste water, and other liquid substances, excluding any hazardous substances or hazardous waste within the meaning of the "Comprehensive Environmental Response Compensation and Liability Act of 1980," 42 U.S.C. section 9601 et seq., and amendments thereto, together with all manholes, valves, cathodic protection systems, appurtenances, and connections necessary or appropriate for the operation of said pipes or pipelines, including poles, conduits, wire, cables, and other appurtenances and equipment for telegraph or telephone lines, or both, necessary or appropriate for Franchisee's operations in, under, along, or across any and all highways as defined in Section 16.36.080 of the Los Angeles County Code, now or hereafter dedicated to public use in the unincorporated territory of the County of Los Angeles, State of California, within the service areas described in the proposed ordinance attached hereto as Exhibit "A," and depicted on the exhibit maps attached to said ordinance as Exhibits 1 through 3.

B. It is the intention of the Board of Supervisors of the County of Los Angeles, State of California, to grant the franchise applied for upon the terms and conditions herein mentioned. The Franchisee, and its successors and assigns will, during the life of its franchise, pay to the County of Los Angeles the amount specified in the proposed ordinance annually from the date of the granting of the franchise, and in the event such payment is not made, the franchise will be forfeited.

C. The franchise is described in the Ordinance attached hereto as Exhibit "A" and is a franchise for proprietary petroleum pipeline purposes.

D. That on the _____ day of _____, 2006, at the hour of 9:30 a.m., a day not less than twenty (20) nor more than sixty (60) days after the date of the passage of this resolution, in the hearing room of the Board of Supervisors, Room 381, Kenneth Hahn Hall of Administration, 500 West Temple Street (corner of Temple Street and Grand Avenue), Los Angeles, California 90012, all persons having any objection to the granting of the franchise hereinabove described may appear before the Board of Supervisors and be heard thereon.

E. The Executive Officer, Board of Supervisors, shall cause a notice of said hearing to be published at least once within fifteen (15) days after adoption of this Resolution of Intention in a newspaper of general circulation published in the County of Los Angeles.

The foregoing resolution was on the ____ day of _____, 2006, adopted by the Board of Supervisors of the County of Los Angeles and ex-officio the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.

SACHI A. HAMAI, Executive Officer-
Clerk of the Board of Supervisors of the
County of Los Angeles

By _____
Deputy

APPROVED AS TO FORM:

RAYMOND G. FORTNER, JR.
County Counsel

By _____
GRACE V. CHANG
Deputy County Counsel

EXHIBIT A

PROPOSED ORDINANCE TO GRANT A

PROPRIETARY PETROLEUM PIPELINE FRANCHISE

TO

PARAMOUNT PETROLEUM CORPORATION

ATTACHMENT 2

ORDINANCE TO REPEAL THE

PROPRIETARY PETROLEUM PIPELINE FRANCHISE

GRANTED TO

POWERINE OIL COMPANY

ANALYSIS

This ordinance grants a proprietary petroleum pipeline franchise to Paramount Petroleum Corporation, a Delaware corporation ("Franchisee"), to collect, transport, and distribute petroleum and other products for a period through October 14, 2015; and to reflect a transfer of petroleum pipelines to Franchisee from Huntington Pipeline & Terminal Company and from Kinder Morgan Liquids Terminals LLC.

The annual franchise fee payable to the County by Franchisee will be determined according to a formula contained in Section 2 of this franchise ordinance. Franchisee has paid a one-time granting fee of five thousand dollars ($5,000).

RAYMOND G. FORTNER, JR.
County Counsel

By
GRACE V. CHANG
Deputy County Counsel
Property Division

GVC/

5/17/06 (requested)
5/19/06 (revised)

368571_1

ORDINANCE NO. _____

An ordinance granting a proprietary petroleum pipeline franchise to Paramount Petroleum Corporation, a Delaware corporation, for the collection, transportation, and distribution of petroleum and other products for a period through October 14, 2015.

The Board of Supervisors of the County of Los Angeles ordains as follows:

SECTION 1. Franchise Term; Grant.

A. The right, privilege, and franchise is granted to Paramount Petroleum Corporation, a Delaware corporation ("Franchisee"), and its successors and assigns, for a period beginning on the effective date of this franchise through October 14, 2015, to lay, construct, reconstruct, maintain, operate, renew, repair, change the size of, remove, or abandon in place, pipes and pipelines for the collection, transportation, or distribution of petroleum, oil, gas, gasoline, or other liquid hydrocarbon products, wet gas, industrial gas, chemicals, mud, steam, water, waste water, and other liquid substances, excluding any hazardous substances or hazardous waste within the meaning of the "Comprehensive Environmental Response Compensation and Liability Act of 1980," 42 U.S.C. section 9601 et seq., and amendments thereto, together with all manholes, valves, cathodic protection systems, appurtenances, and connections necessary or appropriate for the operation of said pipes or pipelines, including poles, conduits, wires, cables, and other appurtenances and equipment for telegraph or telephone lines, or both, necessary or appropriate for the Franchisee's operations, in, under, along, or across any and all highways as defined in Section 16.36.080 of the Los Angeles County Code now or hereafter dedicated to public use within the following described service

areas within the unincorporated territory of the County of Los Angeles ("County"), State of California, and depicted on the exhibit maps attached hereto:

Part A: East Carson / Rancho Dominguez Area: (Exhibit 1)

Those unincorporated areas of Los Angeles County lying within the following described boundaries:

Beginning at the intersection of the westerly boundary line of Wilmington Avenue with the centerline of the Gardena (91) Freeway, in the City of Compton, California; thence easterly along the centerline of the Gardena (91) Freeway to the centerline of Long Beach Boulevard; thence southeasterly along the centerline of Long Beach Boulevard to the centerline of the Long Beach (710) Freeway; thence southwesterly along the centerline of the Long Beach (710) Freeway to the southerly boundary line of Del Amo Boulevard; thence westerly along the southerly boundary line of Del Amo Boulevard to the westerly boundary line of Wilmington Avenue; thence northerly along the westerly boundary line of Wilmington Avenue to the point of beginning, as said streets, highways, centerlines, and boundary lines existed on March 15, 2006.

Part B: East Compton: (Exhibit 2)

Those unincorporated areas of Los Angeles County lying within the following described boundaries:

Beginning at the intersection of the centerline of the Long Beach (710) Freeway and the easterly prolongation of the northerly boundary line of East McMillan Street in the City of Lynwood, California; thence westerly along the northerly boundary line of East McMillan Street, and its easterly and westerly prolongations to a point where said

westerly prolongation of East McMillan Street intersects the centerline of Long Beach Boulevard; thence southerly along the centerline of Long Beach Boulevard to the southerly boundary line of East Greenleaf Boulevard; thence easterly along the southerly boundary line of East Greenleaf Boulevard and its easterly prolongation to the centerline of the Long Beach (710) Freeway; thence northerly along the centerline of the Long Beach (710) Freeway to the point of beginning, as said streets, highways, centerlines, and boundary lines existed on March 15, 2006.

Part C: South Whittier / East La Mirada Area: (Exhibit 3)

Those unincorporated areas of Los Angeles County lying within the following described boundaries:

Beginning at the intersection of the westerly boundary line of Greenleaf Avenue, with the centerline of Whittier Boulevard, said intersection being located in the City of Whittier, California; thence southeasterly along the centerline of Whittier Boulevard to the easterly boundary line of the County of Los Angeles, said boundary line being also the westerly boundary line of the City of La Habra, in the County of Orange, California; thence southerly along the easterly boundary line of the County of Los Angeles to the southerly boundary line of Imperial Highway; thence westerly along the southerly boundary line of Imperial Highway to the westerly boundary line of Shoemaker Avenue; thence northerly along the westerly boundary line of Shoemaker Avenue and its northerly prolongation to the point on said westerly boundary line where Shoemaker Avenue becomes Greenleaf Avenue; thence northerly along the westerly boundary line

of Greenleaf Avenue, to the point of beginning, as said streets, highways, centerlines, and boundary lines existed on March 15, 2006.

SECTION 2. Consideration; Payment of Fees.

A. As consideration for the franchise granted, the Franchisee shall pay the County's Chief Administrative Office ("CAO") a one-time granting fee of five thousand dollars ($5,000) within thirty (30) days after the adoption of this ordinance.

B. As additional consideration for the franchise granted, the Franchisee shall pay to the County annually in arrears, on or before April 15 following the end of each calendar year, for each year during the life of the franchise ("fee payment date"), in lawful money of the United States, a franchise fee computed annually ("annual franchise fee"), as set forth in this Section 2.B. and Section 2.C., below. The "base annual fee" shall be calculated according to the applicable base rate for each lineal foot of pipeline as follows:

The length of pipe expressed in feet located within the service area(s) described in Section 1 shall be multiplied by the applicable base rate, derived in accordance with the following formula:

1. For pipes eight (8) inches or less in nominal internal diameter, the base annual fee shall be twenty-one (21) cents per lineal foot for main lines in highways as of December 31 of the calendar year preceding the applicable fee payment date; and

2. For pipes greater than eight (8) inches in nominal internal diameter, the base annual fee shall be twenty-one (21) cents per lineal foot for main lines in highways as of December 31 of the calendar year preceding the applicable fee payment

date, for the first eight (8) inches of nominal internal diameter, plus three (3) cents per nominal internal diameter inch, or fraction thereof, over eight (8) inches.

C. The total amount of the annual franchise fee payment shall be calculated from the base annual fee and adjusted each calendar year, including the year of granting of this franchise, on the applicable fee payment date in accordance with the following formula:

1. The "Producer Price Index ("PPI") for all Commodities (1982 = 100)," as published by the United States Department of Labor, Bureau of Labor Statistics/Office of Information ("Bureau"), shall be defined as the "index," and such index as it stood for the month of October 1990 (i.e., 120.8), shall be defined as the "base index," which is declared to be 100, and the index for the month of September immediately preceding the fee payment date shall be defined as the "current index";

2. If the current index differs from the base index, then the base annual fee shall increase or decrease by the percentage increase or decrease between the current index and the base index, provided that, if the current index drops below the base index, no adjustment shall be made. The base annual fee shall be multiplied by an adjustment factor determined by dividing the current index by the base index. For example, if the base index is 200 and the current index is 210, the annual franchise fee shall be one hundred and five percent (i.e., 210 / 200 = 1.050 = 105%) times the base annual fee, provided however, under no circumstances shall the multiplying factor be less than one, nor shall the annual franchise fee calculated using said factor, be less

than the base annual fee. If the Bureau shall revise the index, the parties hereto shall accept the method of revision for conversion recommended by the Bureau; and

3. If the Bureau discontinues the preparation or publication of the PPI for all commodities (1982 = 100), and if no transposition table prepared by the Bureau is available applicable to the year of 1982, then the amount of each annual franchise fee shall be computed by reference to such other price index as may be chosen by the County, and the County shall be the sole judge of comparability of successive indices and its determination on this point shall be final and conclusive. In no event shall the amount of annual franchise fee payment calculated according to the base rate and adjusted by reference to such other price index be less than the base annual fee as set forth in Section 2.B.

D. In addition to the foregoing annual payment, the Franchisee shall also pay:

1. The County Department of Public Works, Construction Division, Permit Section, on or before the fee payment date, for each year of the life of the franchise, an initial construction charge calculated at a rate of one hundred dollars ($100) per mile, or fraction thereof, for all new main lines laid during the preceding calendar year; and

2. The County Auditor-Controller, on or before the fee payment date, for each year during the life of the franchise, an annual fee of twenty-five dollars ($25) per pole-mile or portion thereof for aerial or above-ground lines, and twenty-five dollars

($25) per mile, or portion thereof, for underground conduits for wires, cables, telephone, or telegraph lines maintained under the franchise during the preceding calendar year.

E. The County reserves the right to change its method of calculating fees and the amount thereof, not more frequently than once every five (5) years, if the Board of Supervisors ("Board") determines after a public hearing that good cause exists for such change, and such change is not in conflict with the laws of the State of California.

F. The Franchisee shall also pay any application, administrative, and processing fees required in connection with this franchise. These fees shall be charged at the then-current applicable rates.

SECTION 3. Reports.

The Franchisee shall during the life of the franchise:

A. File with the County Auditor-Controller and the CAO, Director of Real Estate, on or before each fee payment date, with one copy to each, a report, verified under oath by a duly authorized representative of the Franchisee, showing as of December 31 of the immediately preceding calendar year ("franchise report period"), the length of main lines in highways, the nominal internal diameter of such main lines, the "rate per foot per year," defined as the amount payable per lineal foot per year under Section 2, and the computation of the total amount of the annual franchise fee due to the County, together with such data as is necessary in the opinion of the County Auditor-Controller and/or the CAO, Director of Real Estate, to calculate or verify the calculation of the annual franchise fee as required by Section 2;

B. In the report prepared pursuant to subsection 3.A above, Franchisee shall also show: any change in franchise footage since the end of the most recent franchise report period, if any, segregating such footage as to new main lines laid, old main lines removed, old main lines abandoned in place, including the internal diameter of such main lines laid, removed, and/or abandoned in place; the footage of new conduits laid for wires, cables, telegraph, or telephone lines, old conduits removed, old conduits abandoned in place; the diameter of such conduits laid, removed, and/or abandoned in place; and the footage and internal diameter of main lines in territory annexed or incorporated since the last day of the most recent franchise report period; and

C. File with the Director of the County Department of Public Works and the CAO, Director of Real Estate, on or before the fee payment date, with one (1) copy to each, a report showing the permit number of each permit obtained for the installation of new main lines and conduits during the most recently completed franchise report period, together with the length and size of such main lines and conduits.

SECTION 4. Late Payments.

A. In the event Franchisee fails to make any of the payments required herein on or before the dates they are due, the Franchisee shall pay a late charge of ten percent (10%) of the amount due, said ten percent (10%) being due on the sixty-first (61st) day after the due date. The ten percent (10%) has been set by both parties hereto in recognition of the difficulty in affixing actual damages from a breach of said time of performance requirement.

B. In the event full payment of any rate, payment, or fee, including the ten percent (10%) late charge, is not received within ninety (90) days after the due date, an assessment of interest shall accrue on the unpaid balance at one percent (1%) per month beginning on the ninety-first (91st) day after the due date.

SECTION 5. Indemnification, Insurance, and Bonding.

Franchisee shall meet the following indemnification, insurance, and bonding requirements:

A. Franchisee shall indemnify, defend, and hold harmless the County and its special districts, elected and appointed officers, employees, and agents ("County's agents") from and against any and all liability and expense, including claims and lawsuits for injuries or damages of any nature whatsoever, including but not limited to bodily injury, death, personal injury, or property damage, including property of the Franchisee, and including pollution liability, defense costs, legal fees, and workers' compensation benefits, based upon, arising from, or relating to either: (1) Franchisee's operations or the services provided by Franchisee, its employees, agents, servants, receivers, contractors, subcontractors, successors, or assignees ("Franchisee's agents") in connection with this franchise; and/or (2) the acts or omissions of Franchisee, Franchisee's agents, or any person in connection with activities or work conducted or performed pursuant to this franchise and arising out of such activities or work. Franchisee shall also indemnify, defend, and hold harmless the County and the County's agents, from and against any and all pollution liability, contamination, or environmental degradation liability, including any and all expenses, claims, and lawsuits

for injuries or damages of any nature whatsoever, defense costs, legal fees, and workers' compensation benefits, arising from or relating to any threatened, actual, or alleged discharge, dispersal, release, or escape of any substance into or upon any person, thing, or place, including the land, soil, atmosphere, man-made structure, and/or any above or below ground watercourse or body of water, in connection with this franchise. The Franchisee shall not be obligated to indemnify the County and County's agents for liability and expense arising from the active negligence of the County and the County's agents.

B. The County shall be immediately notified by Franchisee of all discharge, release, or escape of any petroleum, oil, gas, gasoline, other liquid hydrocarbon products, wet gas, industrial gas, chemicals, steam, water, waste water, mud, or other substances from Franchisee's pipelines and appurtenances within the franchise area. All actions to investigate, remove, or remediate any substance reasonably demonstrated to be discharged, dispersed, released, or escaped from Franchisee's pipelines, and to repair or restore Franchisee's pipelines and appurtenances shall be the sole responsibility of Franchisee and shall be conducted by Franchisee or Franchisee's agents, in conformance with any and all applicable laws, ordinances, rules, regulations, requirements, and orders whatsoever, present or future, of the federal, state, County, or other applicable local government at Franchisee's sole cost and expense, and shall be immediately undertaken by Franchisee or Franchisee's agents. If Franchisee fails to take any action required pursuant to this section, County may, but shall not be obligated to, take all actions it deems appropriate at Franchisee's sole

expense. Upon written demand by County, Franchisee shall reimburse County for all expenses reasonably incurred in connection with County's actions including, but not limited to, all direct and indirect costs relating to investigation, remediation, and removal.

C. Without limiting Franchisee's indemnification of County or County's agents, Franchisee shall provide and maintain at its own expense, during the term of this franchise, the following programs of insurance. Such programs and evidence of insurance shall be satisfactory to the County, and shall be primary to, and not contributing with, any other insurance or self-insurance programs maintained by the County.

1. Certificate(s) or other evidence of coverage satisfactory to the County shall be delivered on or before the effective date of this franchise, and on or before the expiration date of each term of insurance, to the Chief Administrative Office, Real Estate Division, Attn: Property Management Section, 222 South Hill Street, 3rd Floor, Los Angeles, California 90012, or such other address(es) as Franchisee may be directed in writing by the CAO to use. Such certificates or other evidence shall:

a. Specifically identify this franchise ordinance;

b. Clearly evidence all insurance coverage required in this franchise ordinance;

c. Contain the express condition that the County is to be given written notice by registered mail at least thirty (30) days in advance of any modification, non-renewal, cancellation, or termination of any program of liability insurance, and at least thirty (30) days in advance of any modification, non-renewal, cancellation, or

termination of any program of workers' compensation or other insurance coverage required by this Section 5;

d. Include a copy of the additional insured endorsement to the commercial general liability policy, adding the County and County's agents as insureds for all activities arising from this franchise; and

e. Show the Franchisee's insurance as primary to the County's insurance and self-insurance programs. This may be evidenced by adding a statement to the additional insured endorsement required in subsection (d) stating "It is further agreed that the insurance afforded by this policy is primary to any insurance or self-insurance programs maintained by the additional insureds, and the additional insureds' insurance and self-insurance programs are excess and non-contributing to Named Insured's insurance."

2. The County reserves the right to require copies of Franchisee's insurance policies upon request.

3. Insurance is to be provided by an insurance company with an A. M. Best rating of not less than A:VII, unless otherwise approved by the County.

4. The Franchisee agrees to release the County and County's agents and waive its rights of recovery against them under the insurance policies specified in this franchise ordinance.

5. Liability: Such insurance shall be endorsed naming the County of Los Angeles and the County's agents as additional insureds, expressly defining County's agents as defined hereinabove, and shall include, but not be limited to:

a. Commercial General Liability insurance written on a commercial general liability form (ISO policy form CG00 01, or its equivalent, unless otherwise approved by the County), with limits of not less than five million dollars ($5,000,000) per occurrence, fifteen million dollars ($15,000,000) policy aggregate, and fifteen million dollars ($15,000,000) products/completed operations aggregate.

i. If written on a claims-made form, such insurance shall be endorsed to provide an extended reporting period of not less than two (2) years following termination or cancellation of this franchise.

b. Comprehensive Auto Liability insurance (written on ISO policy form CA 00 01, or its equivalent, unless otherwise approved by the County), endorsed for all owned, non-owned, and hired vehicles with a limit of not less than one million dollars ($1,000,000) per occurrence.

c. Environmental Impairment Liability insurance, which insures liability for environmental impairment including cleanup cost endorsed for "Sudden and Accidental" contamination or pollution. Such coverage shall be in an amount and form to meet all applicable state and federal requirements but in no event less than five million dollars ($5,000,000) per occurrence.

i. If written with an annual aggregate limit, the policy limit should be three (3) times the above-required occurrence limit.

ii. If written on a claims-made form, such insurance shall be endorsed to provide an extended reporting period of not less than two (2) years following termination or cancellation of this franchise.

6. Workers' Compensation: A program of Workers' Compensation insurance in an amount and form to meet all applicable requirements of the Labor Code of the State of California. Such policy shall be endorsed to waive subrogation against the County for injury to the Franchisee's employees. If the Franchisee's employees will be engaged in maritime employment, the coverage shall provide the benefits required by the Federal U.S. Longshoreman and Harbor Worker Compensation Act, Jones Act, or any other federal law to which the Franchisee is subject. In all cases, the above insurance shall include Employers' Liability insurance with coverage of not less than:

a. Each accident: one million dollars ($1,000,000).

b. Disease-policy limit: one million dollars ($1,000,000).

c. Disease-each employee: one million dollars ($1,000,000).

D. Franchisee shall furnish the CAO, Real Estate Division, at the location specified in subsection 5.C.1 within thirty (30) days of the adoption of this ordinance, and within thirty (30) days of the expiration date of each term of insurance, either certified copies of the policies required by subsection 5.C or a certificate of insurance for each of said policies executed by the Franchisee's insurance agent, or by the company issuing the policy, certifying that the policy is in force.

E. As an alternative to commercial insurance from Franchisee, the County may consider and approve, at the County's sole option, Franchisee's use of a program of self-insurance or self-insured retention, upon review and approval of the following:

1. An agreement to provide the County and the County's agents with indemnification in accordance with subsections 5.A and 5.B. The County shall be provided at least the same defense of suits and payments of claims as would be provided by the commercial insurance policy described above, and without being subject to a deductible or self-insured retention.

2. A formal declaration by Franchisee to be self-insured for the type and amount of coverage indicated in this ordinance. This can be in the form of a corporate resolution or a certified statement from an authorized principal of the Franchisee. Franchisee must notify the CAO, Real Estate Division, at the location specified in subsection 5.C.1, immediately of discontinuation or substantial change in the self-insurance or self-insured retention program.

3. An agreement to notify the CAO immediately of any claim, judgment, settlement, award, verdict, or change in Franchisee's financial condition which would have a significant negative effect on the protection that the self-insurance or self-insured retention program provides to the County.

4. The name, address, and telephone number of Franchisee's legal counsel and claim representative, respectively, for the self-insurance or self-insured retention program.

5. Upon request by the CAO, an audited financial statement that gives evidence of Franchisee's capacity to respond to claims falling within the self-insurance or self-retention program. Resubmission of such a statement may be required annually for the duration of the franchise, or more frequently, at the request of the CAO.

6. A Certificate of Consent to Self-Insure issued by the State of California Department of Industrial Relations certifying Franchisee's compliance with the requirements of the Director of Industrial Relations under the provisions of the Labor Code of the State of California (sections 3700 to 3705, inclusive) and certifying that Franchisee has furnished satisfactory proof to said Director of Franchisee's ability to self-insure and to pay any compensation that may become due to Franchisee's employees.

7. Failure on the part of the Franchisee to comply with the County's requirements for approval of a program of self-insurance or self-insured retention will result in withdrawal of the County's approval to self-insure.

F. Within thirty (30) days following the adoption of this ordinance, Franchisee shall provide to the CAO, at the location specified in subsection 5.C.1, a faithful performance bond in the sum of not less than fifty thousand dollars ($50,000) payable to the County of Los Angeles and executed by a corporate surety, acceptable to the County and licensed to transact business as a surety in the State of California. Such bond shall be conditioned upon the faithful performance by the Franchisee of the terms and conditions of this franchise and shall provide that, in case of any breach of condition of this franchise, the whole amount of the penal sum of $50,000, or any portion thereof,

shall be deemed to be liquidated damages, and shall be immediately payable to the County by the principal and surety(ies) of the bond.

1. Throughout the term of this franchise, Franchisee shall maintain the faithful performance bond in the amount specified herein. Within ten (10) business days after receipt of notice from the County that any amount has been withdrawn from the bond as provided in this section, Franchisee shall immediately restore the bond to the full amount specified herein.

2. The faithful performance bond shall continue to exist for one (1) year following the CAO's approval of any sale, transfer, assignment, or other change of ownership of the franchise, or following the expiration or termination of the franchise. The CAO may release said bond prior to the end of the one (1) year period upon satisfaction by Franchisee of all the obligations under the franchise.

3. At its sole option, the County may accept certificates of deposit, cash deposits, irrevocable letters of credit, or U.S. government securities in lieu of, or in addition to, commercial bonds to meet the above bonding requirements. Such alternative security shall be made payable to the County and shall be deposited with the County's Auditor-Controller and/or Treasurer Tax Collector, as applicable.

G. The types and amounts of said insurance coverage and bonding shall be subject to review and adjustment by the County, at County's sole discretion, at any time during the term of the franchise. In the event of such adjustment, Franchisee agrees to obtain said adjusted insurance coverage and bonding, in type(s) and amount(s) as determined by the County, within thirty (30) days after written notice from the County.

H. Failure on the part of Franchisee to procure or maintain the required insurance and bonding, or to provide evidence of current insurance and bonding, shall constitute a material breach of the terms of this franchise upon which the County may immediately terminate or suspend this franchise.

I. It is the obligation of Franchisee to provide evidence of current insurance policies and bonding. Any franchise operations shall not commence until Franchisee has complied with the provisions of this Section 5, and any operations shall be suspended during any period that Franchisee fails to obtain or maintain the insurance and bonding required hereunder.

SECTION 6. Transfers and Assignments.

A. Franchisee shall not sell, transfer, assign, lease, hypothecate, place in trust, or change the control of the franchise or any part thereof (each of which is hereinafter referred to as an "assignment"), to any other person or entity ("transferee") except with the prior written consent of the CAO, and after payment of a transfer fee as detailed in subsection 6.G. As used in this section, "transfer" includes stock transfer, and "control" includes actual working control in whatever manner exercised.

B. Franchisee shall give notice to the CAO of any pending assignment, except as excluded in subsection 6.E, and shall provide all documents requested by the CAO, as set forth in subsection 6.F, on which the assignment is predicated. Consent to any such assignment shall only be refused if the CAO finds that Franchisee is in noncompliance with the terms and conditions of the franchise and/or that the proposed transferee, as applicable, is lacking in experience and/or financial ability to meet the

franchise obligations. Consent from the CAO shall be conditioned upon: (1) the terms and conditions set forth in the assignment documents delivered to County; (2) the assumption by the transferee, as applicable, of all the Franchisee's covenants and obligations under the franchise; and (3) all information provided to the CAO under subsection 6.F, below, being true and correct as of the actual date of transfer, except that the County may waive minor changes and discrepancies in its sole discretion. Upon receipt of such consent from the CAO, Franchisee may proceed to consummate the assignment.

C. Franchisee shall file with the CAO within thirty (30) days after the effective date of any assignment, a certified copy of the duly executed instrument(s) which officially evidences such assignment. If such duly executed instrument(s) is not filed with the CAO within thirty (30) days after the effective date of such proposed assignment, or if the conditions to consent by the CAO have not been met, then the CAO may notify the Franchisee and the proposed transferee that the assignment is not deemed approved by the County. The CAO may then administratively determine that the assignment has no force or effect and/or that the franchise is forfeited and the Board may repeal this franchise.

D. As a condition to granting consent to such assignment, the County may impose such additional terms and conditions upon this franchise and upon the proposed transferee which the CAO recommends or the Board deems to be in the public interest. Such additional terms and conditions shall be expressed by ordinance. Nothing contained herein shall be construed to grant Franchisee the right to complete an

assignment except in the manner aforesaid. This section applies to any assignment, whether by operation of law, by voluntary act of Franchisee, or otherwise.

E. Notwithstanding the foregoing, shareholders, partners, and/or any other person or entity owning an interest in Franchisee may transfer, sell, exchange, assign, or divest themselves of any interest they may have therein. However, in the event any such sale, transfer, exchange, assignment, divestment, or other change is effected in such a way as to give control of, or a twenty-five percent (25%) or more interest in, Franchisee, to any person or persons, corporation, partnership, or legal entity other than the person or entity with the controlling interest in the Franchisee on the effective date of the franchise or the effective date of the last approved assignment, consent thereof shall be required as otherwise provided in this Section 6.

F. Upon notice by Franchisee of any pending assignment, the proposed transferee shall submit an assignment application to the CAO, which shall contain at a minimum:

1. Identification of the proposed transferee which indicates the corporate or business entity organization, including the submission of copies of the corporate or business formation papers (e.g., articles of incorporation and bylaws, limited partnership agreements, operating agreements), and the names and addresses of any parent or subsidiary of the proposed transferee(s), or any other business entity owning or controlling the proposed transferee in part or in whole;

2. A current financial statement, which has been audited by a certified public accountant demonstrating conclusively to the satisfaction of the CAO that the proposed transferee has all the financial resources necessary to carry out all of the terms and conditions of the franchise. The financial statement shall include a balance sheet, profit and loss statement for at least the three (3) most recent years, and a statement of changes in financial position; however, if the proposed transferee has been in existence for less than three (3) years, then for such period of existence;

3. A copy of the proposed agreement of sale, letter of understanding, or other documentation which details the proposed assignment ("assignment documents"); and

4. Other information which may be required by the CAO to assess the capability of the proposed transferee to operate and maintain the franchise.

G. The transfer fee shall be submitted with the Franchisee's request for the County's consent to any assignment described in subsection 6.A and shall be determined as follows:

1. Consent to assignment or any other action, in which the County does not elect to modify the franchise by adoption of an amending ordinance: one thousand dollars ($1,000).

2. Consent to assignment or any other action, in which the County elects to modify the franchise by adoption of an amending ordinance: two thousand five hundred dollars ($2,500).

3. In the event County's actual costs to process the proposed assignment application, including any consultant's fees incurred by the County to assist in evaluating the application, exceed the fees detailed above, the Franchisee and proposed transferee may be required to pay any additional costs incurred by the County in processing the Franchisee's and/or proposed transferee's request for assignment. Such costs shall be paid by the Franchisee and the proposed transferee prior to final consideration of the request by the CAO or the Board, as applicable.

SECTION 7. Relocation of Pipelines.

In the event the Franchisee receives notice to relocate its pipelines and appurtenances pursuant to Section 16.52.290 of the County Code, in addition to all obligations of Franchisee and rights of the County under Sections 16.38.450 and 16.52.290 of the County Code, if Franchisee neglects or fails to relocate its facilities in a timely manner after receipt of any such notice, Franchisee shall be solely responsible for, and shall reimburse the County, city, and other applicable public entities for, any and all additional costs or expenses incurred by the County, city, and other applicable public entities, due to, or resulting from, such delay in relocation of the facilities.

SECTION 8. Pipeline Franchise Ordinance.

In addition to the terms and conditions stated herein, this franchise is granted under all of the terms and conditions contained in the County Pipeline Franchise Ordinance, Title 16, Division 3A, of the Los Angeles County Code, as codified in 1978 and amended to date, which is incorporated herein by reference, as it may hereafter be amended. In the event the terms and conditions of this franchise conflict with the terms

of the County Pipeline Franchise Ordinance, the terms and conditions hereof shall control. Without limiting the generality of the foregoing, Sections 16.52.020H, 16.52.100, 16.52.110, 16.52.120, 16.52.140, 16.52.150, 16.52.200, 16.52.220, 16.52.340, 16.54.050, 16.54.060, 16.54.070, 16.54.080, and 16.54.090 are superseded by this franchise granting ordinance.

[ParamountPipelineGCCC]

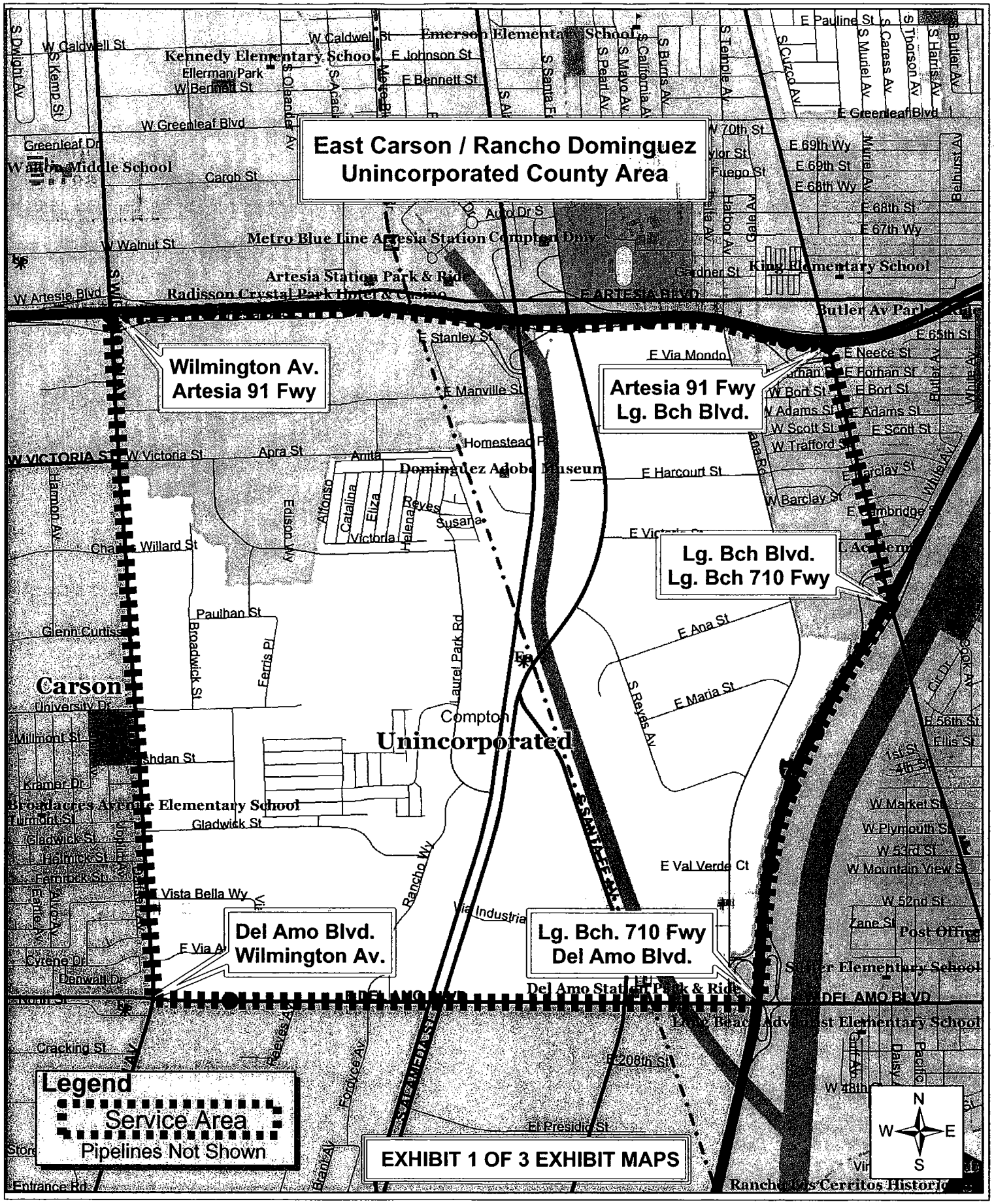
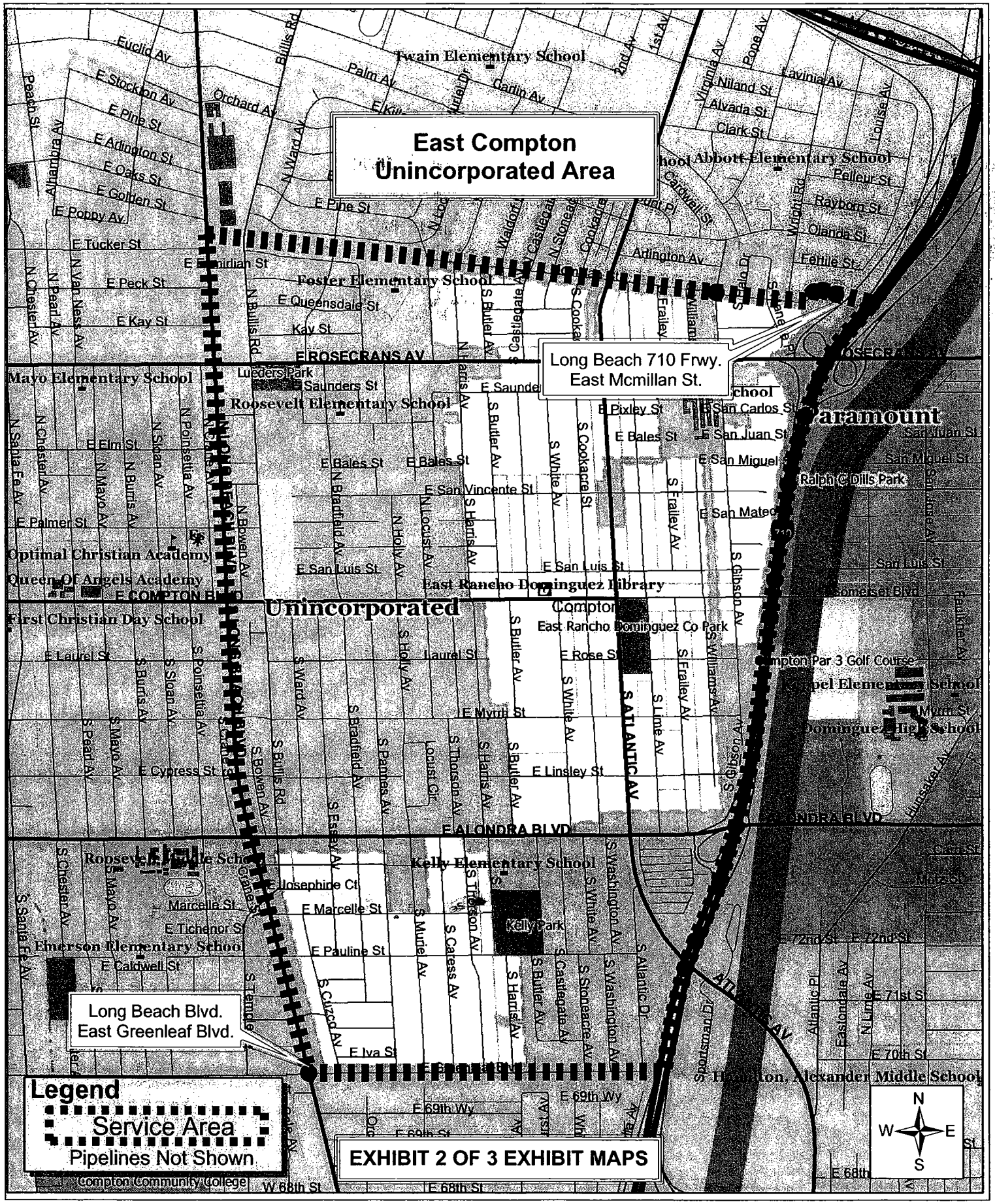
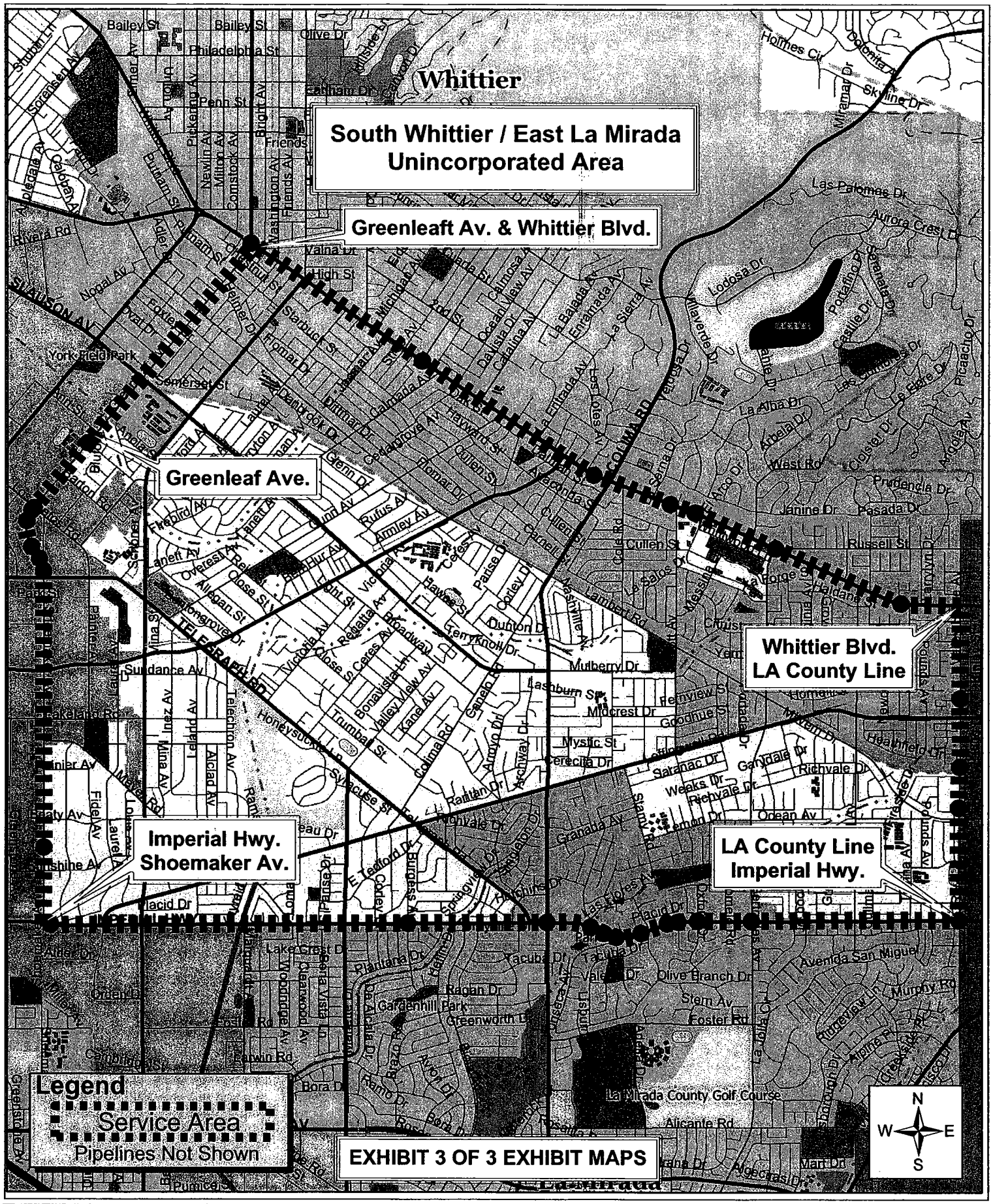


EXHIBIT 1 OF 3 EXHIBIT MAPS

Date March 15, 2006	COUNTY OF LOS ANGELES - CHIEF ADMINISTRATIVE OFFICE Paramount Petroleum Corporation Proprietary Petroleum Pipeline Franchise Part A: East Carson Rancho Dominguez Unincorporated Area	Paramount Franchise
Sup Districts 2nd & 4th District		Agent R. Ball



Date March 15, 2006	COUNTY OF LOS ANGELES - CHIEF ADMINISTRATIVE OFFICE Paramount Petroleum Corporation Proprietary Petroleum Pipeline Franchise Part B: East Compton Unincorporated Area	Paramount Franchise
Sup Districts 2nd & 4th Districts		Agent R. Ball



Date March 15, 2005	**COUNTY OF LOS ANGELES - CHIEF ADMINISTRATIVE OFFICE** **Paramount Petroleum Corporation** **Proprietary Petroleum Pipeline Franchise** **Part C: South Whittier / East La Miarda Unincorporated Area**	Paramount Franchise
Sup Districts 1st & 4th Districts		Agent R. Ball

ANALYSIS

This ordinance repeals Ordinance No. 90-0152F, which granted a proprietary petroleum pipeline franchise to Powerine Oil Company.

RAYMOND G. FORTNER, JR.
County Counsel

By
GRACE V. CHANG
Deputy County Counsel
Property Division

GVC/

5/17/06 (requested)

5/19/06 (revised)

ORDINANCE NO. _____

An Ordinance repealing Ordinance No. 90-0152F, which granted a proprietary petroleum pipeline franchise to Powerine Oil Company.

The Board of Supervisors of the County of Los Angeles ordains as follows:

SECTION 1. Ordinance No. 90-0152F, adopted October 18, 1990, which granted a proprietary petroleum pipeline franchise to Powerine Oil Company, is hereby repealed.

[PowerineOilCoGCCC}