

## ANALYSIS

This ordinance grants a gas pipeline franchise to Southern California Gas Company, a California Corporation ("Franchisee"), to construct, maintain, and operate a pipeline system as further described in Section 1 hereof for an initial term of ten (10) years, beginning on January 9, 2025, and expiring on January 8, 2035, and, subject to its renewal, immediately followed by one renewal term of ten (10) years, beginning on January 9, 2035, and expiring on January 8, 2045, for a total term of up to twenty (20) years, in the unincorporated territory of the County of Los Angeles. The base annual fee payable to the County of Los Angeles by Franchisee will be determined according to a formula contained in Section 2 of this franchise ordinance. Franchisee will also pay additional fees as provided in this franchise ordinance.

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By 

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GVC:lm

Requested: 10/01/2024  
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**ORDINANCE NO. \_\_\_\_\_**

An ordinance granting a gas pipeline franchise to Southern California Gas Company, a California corporation, for an initial term of ten (10) years, beginning on January 9, 2025, and, subject to renewal, a renewal term of ten (10) years, expiring on January 8, 2045, for a total of up to twenty (20) years, as described herein.

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

**Section 1. Franchise Term; Grant.**

The right, privilege, and franchise, in conformance with the provisions of Division 3, Chapter 2, of the California Public Utilities Code, is granted to Southern California Gas Company, a California Corporation, ("Franchisee"), and its successors and assigns, to operate and maintain a pipeline system for the transmission and distribution of gas for all purposes, which includes laying, constructing, erecting, installing, operating, maintaining, using, repairing, replacing, and removing (collectively, "Operate and Maintain") pipes, pipelines, mains, services, traps, vents, vaults, manholes, meters, gauges, regulators, valves, conduits, cathodic protection systems, attachments, together with connections and other appurtenances necessary or appropriate for the operation of said facilities and systems, including poles, wire, cables, adjunct communication lines, fittings and other appurtenances and equipment for telegraph, telephone or telecommunication lines or equipment, or both, necessary or appropriate thereto, including with respect to its existing pipeline infrastructure, in each case, used or useful for transmitting and distributing gas for all purposes in, under, along, across, over, or upon any and all public highways, freeways (except state

freeways), roads, ways, alleys, lanes or courts, or other public easements, and above and below the same (each, individually and collectively, referred to herein as a "highway" and as "highways," respectively), which now exists or which may hereafter exist in any unincorporated territory of the County of Los Angeles ("County"), State of California and in which the County has the authority to grant a franchise.

The foregoing shall also include the right of Franchisee to access highways to make service connections (meaning the pipes or conduits connecting the building or place where the service or commodity supplied by Franchisee is used or delivered, or is made available for use or delivery, with the supply line or supply main in the highway or with such supply line or supply main on non-County property) with or through all property adjoining said highways or any of them and to furnish and distribute gas through said pipe and pipelines. The privileges granted hereby do not extend to access in, over, or under any non-County property.

The right, privilege, and franchise described above is granted to Franchisee for an initial term of ten (10) years, beginning on January 9, 2025, and expiring on January 8, 2035 ("Initial Term"), and, subject to its renewal, immediately followed by one renewal term of ten (10) years, beginning on January 9, 2035, and expiring on January 8, 2045 ("Renewal Term"), for a total term of up to twenty (20) years, as provided herein.

No later than July 1, 2034, the Director will report to the Board of Supervisors ("Board") with a recommendation for continuation or termination of the franchise. The report shall include, but is not limited to, presenting a County customer analysis

(number, types and forecast of future energy needs), the effects of any newly implemented applicable policies, Franchisee's progress towards its 2045 decarbonization goals, the franchise compliance reports, and any franchise compliance or other relevant issues. Upon consideration of the report, the Board may cancel the Renewal Term. The Renewal Term shall be exercised automatically unless the Board takes an affirmative action to cancel the Renewal Term. Nothing in this Section shall prohibit the Board from exercising its authority under Applicable Laws.

Sections 6, 8, 10, and 11 shall survive any termination or expiration of the franchise to the extent any of Franchisee's pipeline system that was under franchise at the time of termination or expiration (and not otherwise subject to a superior right, such as an easement) remains in the highway(s) at the time any of such surviving Sections are being enforced after termination or expiration.

**Section 2. Consideration; Payment of Fees.**

A. Granting Fee. As consideration for the franchise granted, transferred, extended, or otherwise amended, Franchisee shall pay the County a fee of ten thousand dollars (\$10,000) within thirty (30) days after the adoption of this ordinance.

B. Exception Fee. As consideration for the County making an exception to the County's standard 5-year term limit on certain types of franchises, Franchisee shall pay the County an amount of five million dollars (\$5,000,000) (the "Exception Fee"). The Exception Fee will cover the entire period of the Initial Term; in addition, if the Renewal Term is not cancelled, the Exception Fee will cover the entire period of the Renewal Term. The Exception Fee is payable within thirty (30) days of the Operative

Date. The County will use the Exception Fee to establish a Climate Equity Account. Franchisee shall not apply to the California Public Utilities Commission ("CPUC") to recover the Exception Fee in rates or other charges from gas customers. County shall separate the Exception Fee from the County general fund to provide transparency regarding the use of the Exception Fee. Franchisee shall have no rights or obligations with respect to the establishment of such account or the distribution of amounts to or from such account.

C. Annual Franchise Fee. During such time as Franchisee's operations and rates for transportation are subject to the provisions of section 6231 of the California Public Utilities Code, the consideration shall be calculated pursuant to said section as follows:

As additional consideration for the franchise granted or extended, Franchisee shall pay annually in arrears, on or before April 15 following the end of each calendar year ("Fee Payment Date"), for each year during the life of the franchise, to the County, in lawful money of the United States, a franchise fee computed annually as follows ("Annual Franchise Fee"): two percent (2%) of the gross annual receipts of Franchisee arising from the use, operation, or possession of the franchise; provided, however, that such payment shall in no event be less than one percent (1%) of the gross annual receipts of Franchisee derived from the sale within the franchise area of the commodity or service for which the franchise is awarded. Such percentage shall be paid annually during the life of the franchise, including the year of granting of the franchise. If the State legislature increases the franchise payment applicable to gas corporation public

utilities to a level greater than that provided in section 6231 of the California Public Utilities Code, then County shall have the option of prospectively employing the increased legislative formula for the remaining term of the franchise instead of the payments set forth herein upon provision of at least sixty (60) days' prior written notice to Franchisee.

D. In addition to the foregoing Exception Fee and Annual Franchise Fee, Franchisee shall also pay to:

1. The Los Angeles County Department of Public Works ("Public Works"), 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 that preceding calendar year; provided, however, whenever the length of any pipeline (or portion thereof) is a factor in calculating any payment due under this franchise, all, (a) service connections and (b) pipelines abandoned or removed in accordance with Section 8, shall be excluded in determining such length; and

2. Public Works, any reasonable application fees, administrative fees and processing fees (and any reasonable late charges, accrued interest, and penalties applicable thereto) required in connection with this franchise, all of which may be charged at the then-current applicable rates, provided such fees are imposed generally on all non-governmental entities and persons and the amount of such fees does not exceed the actual, reasonable expense to the County of the County activity to which they relate (e.g., processing) ("Fees"). Franchisee is not at any time required to pay

any Fees to the County determined by a governmental court or authority of competent jurisdiction to be invalid, void, or unenforceable pursuant to Applicable Laws (as defined below in Section 11).

**Section 3. Annual Franchise Fee Reports.**

Franchisee shall, during the life of the franchise:

A. File with the County Auditor-Controller and Public Works, on or before the Fee Payment Date, with one copy to each, a report, verified under oath by a duly authorized representative of Franchisee, showing as of December 31 of the immediately preceding calendar year ("Franchise Report Period"), the total gross receipts of Franchisee for the immediately preceding franchise report period, received or accrued in connection with the furnishing of the commodity or service arising from the use or operation of the franchise, together with such additional data as is necessary in the opinion of the County Auditor-Controller and/or Public Works to calculate or verify the calculation of the annual franchise fee as required by subsection 2.C.

B. Show in the report prepared pursuant to subsection 3.A., above, any change in franchise footage since the end of the most recent Franchise Report Period, segregating such footage as to new main lines laid, old main lines removed, old main lines abandoned in place, and the footage of mains in territory annexed or incorporated since the last day of the most recent Franchise Report Period.

C. File with Public Works, on or before the Fee Payment Date, 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. Reports, Monitoring and Maps.**

A. Franchisee shall provide the County with copies of the following publicly filed reports to State agencies as the last of the following becomes generally publicly available with respect to a given calendar year, from and after the Operative Date:

1. California Air Resources Board (CARB) Oil and Gas Methane Regulation reports, annual leak detection and repair (LDAR) reports for natural gas production, storage, transmission and compressor stations;
2. CPUC Senate Bill 1371 natural gas leakage abatement reports;
3. Pipeline hydrostatic pressure test results;
4. California Geologic Energy Management (CalGEM) Title 14 "Requirements for California Underground Gas Storage Projects" reports (including, but not limited to, risk management plans, emergency response plans, mechanical integrity testing, monitoring, inspection, maintenance of wellheads and valves and leak reporting);
5. Gas Safety Plan; and
6. Any other publicly available reports required by State agencies with jurisdiction over Franchisee (including, but not limited to, the California State Fire Marshal, CARB, Cal GEM, and the CPUC), including regarding inspections, inspection plans, and infrastructure maintenance.



The County shall provide to Franchisee a list annually, and/or as-needed, of the documents the County requests. Franchisee shall exercise reasonable efforts to promptly provide the County with copies of publicly-available reports regarding compliance with the foregoing requirements requested in writing by County, which such requests may occur no more frequently than annually during the term of this franchise. In furtherance of the foregoing, Franchisee will provide County with access to a shared file site to facilitate transfer of the foregoing publicly-available documents.

B. Franchisee shall meet annually with the County at County's request and shall provide an annual report on progress towards its ASPIRE 2045 Sustainability Strategy within the unincorporated County and entire County, including its interim milestones and overall aspiration to achieve net zero greenhouse gas emissions in its operations and delivery of energy by 2045. Franchisee has set a net zero carbon by 2045 target that includes scopes 1, 2, and 3 greenhouse gas emissions (reduction of direct emissions and those generated by customers from energy delivered by Franchisee's energy infrastructure).

C. Franchisee shall install air quality fence-line monitors to detect methane at Franchisee's current underground storage facilities (i.e., Aliso Canyon and Honor Rancho) as well as any future underground storage facilities, each as to the extent located within the unincorporated territory of the County, so long as such facilities remain owned and operated by Franchisee during the term of this franchise. All air monitoring data shall be real-time time resolution and publicly available (i.e., internet webpage display); provided, that, such resolution may have a latency of up to two (2)

business days for purposes of Franchisee's quality assurance/quality control processes in which case Franchisee will be considered in compliance herewith.

D. For the purpose of planning, design and/or construction of the County Improvements (as defined below in Section 9) within a County highway, Franchisee shall, subject to its confidentiality requirements regarding the same, upon written request by the County, provide to the County within ten (10) calendar days of such written request, and immediately in the case of a County proclaimed emergency, Geographic Information System ("GIS") locational data, or other locational records of Franchisee's facilities ("Location Data"), as the County in its reasonable discretion requires for such County Improvements, in a form and type determined by Franchisee in its reasonable discretion in accordance with good utility practice, provided that such files shall be in the form of Franchisee's standard GIS map product depicting facilities within a designated grid referred to as a GIS "Atlas Sheet" and provided to the County via shared file site; provided, however, that notwithstanding anything herein to the contrary, Franchisee shall not be obligated to provide such data if doing so could cause Franchisee to violate or otherwise act in a manner inconsistent with federal or State rules, regulations or other guidance concerning the disclosure of critical energy infrastructure information as defined by 18 C.F.R. §388.113(c), critical infrastructure information as defined under 6 U.S.C. §§ 650(4) and 671(3), 42 U.S.C. § 5195c, and 6 CFR 29.1, et seq., and sensitive security information as defined under 49 C.F.R. § 1520.5 (collectively, "CEII"). To the extent any Location Data constitutes CEII, the County agrees to enter into a non-disclosure agreement with Franchisee pursuant to

which it will agree to keep such information confidential, including agreeing not to produce such information in response to a request for documents under the California Public Records Act and the Freedom of Information Act. Although Franchisee will make reasonable efforts to provide accurate GIS data to the County for the County's design, engineering and planning purposes, Franchisee makes no representations or warranties to Franchisee or any of its agents, contractors or representatives that such GIS data may be relied upon for field work. The GIS data shall not be a substitute for the County's required conflict check and dig alert obligations prior to starting any field work.

**Section 5. Late Payments.**

In the event Franchisee fails to make any of the payments set forth in Section 2.C. on or before the dates they are due, Franchisee shall pay a late charge equal to one percent (1%) per month of the amount due from the last day of the period for which said payment was due.

**Section 6. 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 Entities") from and against any and all expenses, costs, fees, damages, claims, liabilities, and lawsuits of any nature by third parties, including, without limitation, those involving, relating to, or asserting bodily injury, personal injury, death, property damage, and attorneys' fees, (collectively "Claims"), that relate to or arise from: (1) Franchisee's

use or exercise of the franchise and/or the operations or services provided by Franchisee, its employees, agents, servants, receivers, contractors, subcontractors, successors, or assignees ("Franchisee Entities") in connection with the franchise; and/or (2) any acts or omissions of Franchisee or Franchisee Entities in connection with the activities or work conducted or performed pursuant to the franchise and/or arising out of such activities or work; provided that Franchisee's duty to defend, indemnify, and hold harmless the County Entities shall not apply to the extent any Claims or liabilities arise from or relate to: (1) the active negligence, willful misconduct, or violation of law of the County Entities; (2) the County's right, power or authority (including acquisition of necessary consents and approvals) to issue (including the amendment, renewal or extension of) the franchise to Franchisee, the County's administration of the franchise, or claims that the terms contained herein violate Applicable Laws or any of County Entities' internal procedures; or (3) any payments or consideration made by Franchisee to the County (or any of the County Entities) in consideration of, or related to, the franchise, including, without limitation, the Exception Fee or the Climate Equity Account.

B. Subject to Applicable Laws, Franchisee agrees to notify, within the relevant time frame as prescribed by Applicable Laws, the applicable County local lead agency for emergency notification (i.e., the Certified Unified Program Agency, Administering Agency or Participation Agency, depending on the location), with respect to any unplanned release, as defined by California Health & Safety Code section 25501(p), of gas from Franchisee's current underground storage facilities (i.e., Aliso Canyon and Honor Rancho) as well as any future underground storage facilities,

each as to the extent located within the unincorporated territory of the County, so long as such facilities remain owned and operated by Franchisee during the term of this franchise, that results in persistent odors outside of such property's boundaries and poses a significant or potentially significant hazard to human health and safety, property, or the environment (an "Unplanned Gas Release"). All actions to investigate, remove, or remediate any Unplanned Gas Release reasonably demonstrated to be so released as described above, and to repair or restore Franchisee's pipelines and appurtenances to the extent necessary, 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 at Franchisee's sole cost and expense, and shall, subject to Applicable Laws, be undertaken by Franchisee or Franchisee's agents as soon as reasonably practicable after becoming aware of the same.

C. Without limiting Franchisee's indemnification of the County and the County Entities, Franchisee shall provide and maintain at its own expense, during the term of this franchise, the following programs of insurance or self-insurance. Such programs and evidence of insurance are required to 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 to Public Works on or before the Operative Date, and renewal certificates within thirty (30) days of policy renewal. Such certificates or other evidence of coverage shall:

- a. Specifically identify this franchise ordinance;
  - b. Clearly evidence all insurance required in this franchise ordinance;
  - c. Contain the express condition that the County is to be given written notice by mail at least thirty (30) days in advance of any material modification, non-renewal, cancellation, or termination of any program of liability insurance, and at least thirty (30) days in advance of any material modification, non-renewal, cancellation, or termination of any program of Workers' Compensation or other insurance required by this Section;
  - d. Include a copy of the blanket additional insured endorsement to the commercial general liability policy, adding the County and County Entities (collectively, "County Insureds") as additional insureds for all activities arising from this franchise; and
  - e. Franchisee shall provide that the coverage is primary for all purposes and Franchisee shall not seek any contribution from any insurance or self-insurance maintained by the County.
2. Franchisee shall have the right to self-insure any of the insurance requirements.
  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. Franchisee agrees to release the County and the County Insureds and waive its rights of recovery against them under the insurance policies specified in this franchise ordinance.

5. Such insurance shall be endorsed naming the County and the County Insureds as additional insureds, and shall include, but not be limited to:

a. Commercial General Liability insurance with a combined single limit of not less than thirty million dollars (\$30,000,000) per occurrence.

i. If written on a claims-made form, such insurance shall be endorsed to provide an extended reporting period of not less than one (1) year following termination or cancellation of this franchise.

b. Comprehensive Auto Liability insurance endorsed for all owned, non-owned, and hired vehicles with a limit of not less than five million dollars (\$5,000,000) per occurrence.

c. Pollution Liability insurance, which insures cleanup cost for "Sudden and Accidental" contamination or pollution. Such coverage shall be in an amount of not less than thirty million dollars (\$30,000,000) per occurrence. This pollution liability coverage may be included in the commercial general liability policy.

i. If written on a claims-made form, such insurance shall be endorsed to provide an extended reporting period of not less than one (1) year following termination or cancellation of this franchise.

6. A program of Workers' Compensation insurance in an amount and form to meet all applicable requirements of the California Labor Code and the

"Longshoreman and Harbor Worker Compensation Act," (33 U.S.C. § 901 et seq., as it may hereafter be amended, including Employer's Liability) with not less than a one million dollar (\$1,000,000) limit, covering all persons providing services on behalf of Franchisee and all persons Franchisee is legally required to cover.

D. Franchisee shall furnish Public Works, within thirty (30) days of the Operative Date, and within thirty (30) days of the expiration date of each term of insurance, a certificate of insurance for each of said policies executed by Franchisee's insurance agent, or by the company issuing the policy, certifying that the policy is in force.

E. Within thirty (30) days following the Operative Date, Franchisee shall provide to Public Works a faithful performance bond in the sum of not less than one million dollars (\$1,000,000), payable to the County 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 Franchisee of the terms and conditions of this franchise and shall provide that, in case of the breach of any condition of this franchise, the whole amount of the penal sum of one million dollars (\$1,000,000), or any portion thereof, 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. This bond may be provided on an annual basis, renewable by continuation certificate or other mutually agreed documentation. 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 year following the County's approval of any sale, transfer, assignment, or other change of ownership of the franchise, or following the expiration or termination of this franchise. The County, in its sole discretion, may release said bond prior to the end of the one-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 instruments shall be made payable to the County and shall be deposited with the County's Auditor-Controller and/or Treasurer and/or Treasurer Tax Collector, as applicable.

F. The types and amounts of said insurance coverage and bonding shall be subject to review and reasonable adjustment by the County, not more frequently than every five (5) years during the term of the franchise. In the event of such requested adjustment and subject to the agreement of Franchisee, Franchisee agrees to obtain said adjusted insurance coverage and bonding, in type(s) and amount(s) determined by the County, within ninety (90) days after written notice from the County.

G. It is the obligation of Franchisee to provide evidence of current insurance and bonding. Any franchise operations shall not commence until Franchisee has

complied with the provisions of this Section, and any operations shall be suspended during any period that Franchisee fails to obtain or maintain the insurance and bonding required hereunder.

**Section 7. Transfers and Assignments.**

A. Franchisee shall not sell, transfer (including stock transfer), exchange, assign, lease, or divest itself 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 as provided in this Section and after payment of a transfer fee as detailed in subsection 7.G.

B. Franchisee shall inform Public Works of any pending Assignment, except as excluded in subsection 7.D., and shall provide those documents as set forth in subsection 7.E. Consent to any such Assignment shall only be refused if the County finds that Franchisee is not in compliance with the terms and conditions of the franchise and/or that the proposed Transferee, as applicable, is lacking in financial ability to meet the franchise obligations. Consent shall not be unreasonably withheld, delayed or conditioned other than as conditioned upon the terms and conditions set forth in the Assignment Documents, as defined under subsection 7.E.3., delivered to Public Works, the assumption by Transferee, as applicable, of all Franchisee's covenants and obligations under the franchise, and all information provided to the County under subsection 7.F., being true and correct as of completion of the Assignment. Upon receipt of such consent from the County, Franchisee may proceed to consummate the Assignment.

C. Franchisee shall send to Public Works, within thirty (30) days after the effective date of any Assignment, certified copies of the duly executed instrument(s) that officially evidence(s) such Assignment. If any such duly executed instrument is not sent to Public Works within thirty (30) days after the effective date of such proposed Assignment, then the County may determine, and then notify Franchisee and the proposed Transferee, that the Assignment has no force or effect and/or that the franchise is forfeited.

D. 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 without notice to or the consent of the County so long as such sale, transfer, exchange, Assignment, divestment, or other change, including a merger, does not result in giving majority or sole control of Franchisee to any person or persons, corporation, partnership, or legal entity other than the person or entity with the controlling interest in Franchisee on the Operative Date or the effective date of the last approved Assignment. Otherwise, consent thereof shall be required as otherwise provided in this Section. Furthermore, no notice to or consent of the County will be required to any Assignment that has been authorized by the CPUC, that is made to an affiliate of Franchisee, or that is result of Franchisee's inclusion of this franchise as security under a mortgage, deed of trust or other security agreement securing the repayment of bonds or notes, including any transfer of the franchise in trust or by way of mortgage or hypothecation with all or a part of Franchisee's other property for the purpose of securing any indebtedness of

Franchisee, except that Franchisee shall ensure that any Transferee shall be fully bound by the terms and conditions of this franchise.

E. Except for any Assignments made pursuant to subsection 7.D., upon notice by Franchisee of any proposed Assignment, the proposed Transferee shall submit an Assignment notice to Public Works, 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 by-laws, 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 (including a balance sheet, a profit and loss statement, and a statement of changes in financial position), if available, or similar financial documentation demonstrating conclusively to the satisfaction of the County that the proposed Transferee has all of the financial resources necessary to carry out all of the terms and conditions of the franchise.

3. Subject to confidentiality requirements, a copy of the proposed provision of the agreement of sale, letter of understanding, or other documentation, which details the proposed Assignment ("Assignment Documents").

4. Other information that may be reasonably required by the County to assess the capability of the proposed Transferee to Operate and Maintain the franchise.

F. A transfer fee of ten thousand dollars (\$10,000) shall be submitted with Franchisee's request for the County's consent to any Assignment described in subsection 7.A., above. If the County's actual, reasonable and documented costs to process the proposed Assignment application, including any consultant fees incurred by the County to assist in evaluating the application, exceed the transfer fee amount of ten thousand dollars (\$10,000), Franchisee and the proposed Transferee, or either, shall pay any such reasonable, additional costs incurred by the County in processing the Assignment application; provided that, Franchisee reserves the right to challenge such costs to the extent they are unreasonable and unsubstantiated. Such additional costs shall be paid by Franchisee and the proposed Transferee, or either, prior to final consideration of the request for Assignment by the County or the Board, as applicable.

**Section 8. Removal or Abandonment of Facilities.**

A. At the time of expiration, revocation, or termination of this franchise or of the permanent discontinuance of the use of a portion or all of its pipes and appurtenances, Franchisee shall, within thirty (30) days thereafter, make a written notification to Public Works for its intent to engage in one of the following in accordance with applicable federal, State, and local laws and regulations: (1) abandon all, or a portion, of such pipes and appurtenances in place; or (2) remove all, or a portion, of such pipes and appurtenances. Such notification will describe the pipes and appurtenances desired to be abandoned by reference to the map or maps required by this franchise and will describe with reasonable accuracy the relative physical condition of the pipes and appurtenances. Within thirty (30) days of Franchisee's notification as

set forth above, subject to Applicable Laws, including determinations and orders of the CPUC, Public Works will determine whether any abandonment, removal or transfer that is proposed may be effected without detriment to the public interest or under what conditions the proposed abandonment, removal or transfer may be safely effected, and Public Works will then notify Franchisee of any such requirements and require Franchisee to either remove all, or a portion, of such pipes and appurtenances, or abandon in place all, or a portion, of such pipes and appurtenances, as applicable and consistent with Franchisee's notification. If, for any reason, Franchisee suspends operations of any of the pipes and appurtenances contained in this franchise for a period more than ninety (90) days, Franchisee will notify Public Works. During this period of suspended operations, Franchisee will maintain said pipes and appurtenances in accordance with all Applicable Laws, including determinations and orders of the CPUC.

B. If any pipes and appurtenances to be abandoned in place subject to prescribed conditions are not abandoned in accordance with all such conditions, then, subject to Applicable Laws, including determinations and orders of the CPUC, Public Works may make additional appropriate orders in its reasonable discretion, including, an order that Franchisee remove all such pipes and appurtenances in accordance with applicable requirements. In the event Franchisee fails to remove any pipes and appurtenances that it is obligated to remove in accordance with the immediately preceding sentence and with such applicable requirements as may be prescribed by Public Works, then, subject to Applicable Laws, including determinations and orders of

the CPUC, Public Works may remove such applicable pipes and appurtenances at Franchisee's expense and Franchisee will pay to the County within sixty (60) days after delivery of an itemized bill with supporting documentation the reasonable cost of such removal.

C. Abandoned pipelines on County highways remain property of Franchisee. Should the abandoned pipelines interfere with future utility or underground facility, said pipelines would, subject to Applicable Laws, including determinations and orders of the CPUC, be removed by others at their expense as necessary.

D. For the purposes of the payment of fees provisions in Section 2 of this franchise, facilities shall exist as such until: (1) inspection reports of Public Works indicate the work of removal has been done to its satisfaction or (2) in the case of facilities to be abandoned in-place, such facilities have been so abandoned in accordance with this Section 8.

E. This Section will survive the termination or expiration of this franchise.

**Section 9. Relocation of Pipelines.**

A. The County reserves the right to: (1) lawfully change the grade, width or alignment of any highway or (2) lay, construct, repair, alter, relocate and maintain subsurface or other facilities or improvements of any type or description in a governmental but not proprietary capacity within the highways, in each case of clauses (1) and (2), with respect to which the franchise is granted (such actions, collectively, a "County Improvement"). If any of the pipelines, facilities or appurtenances heretofore or hereafter constructed, installed or maintained by Franchisee pursuant to this franchise

on, along, under, over, in, upon or across any highway are located in a manner that prevents or interferes with a proposed County Improvement, Franchisee shall relocate permanently or temporarily any such facility at no expense to the County upon receipt of a written request from the County road commissioner to do so, and shall use its commercially reasonable efforts to commence such work on or before the date specified in such written request, which date shall be not less than thirty (30) days from receipt of such written request, except: (1) as the law may otherwise provide, (2) where Franchisee's right to possession is pursuant to instruments evidencing right-of-way (e.g., easements, licenses or other superior interests in real property), or (3) where the removal or relocation is made at the request of the County on behalf of or for the benefit of any private developer, agency or other third party. Franchisee shall thereafter diligently prosecute such work to completion; provided, however, if such highway be subsequently constituted as a state highway, thereafter and so long as such highway remains a state highway, no such change of location shall be required for a temporary purpose. Notwithstanding anything herein to the contrary, no relocation requirement shall preclude Franchisee from receiving reimbursement for the relocation of its facilities if and to the extent otherwise lawfully entitled thereto. Moreover, nothing herein affects any other relocation payment obligations of any other person or entity, including, but not limited to, the Los Angeles County Metropolitan Transportation Authority.

B. In the event Franchisee receives notice from the County to relocate its pipelines and appurtenances due to a County Improvement in accordance with Section 9.A. above, if Franchisee neglects or fails to use commercially reasonable



efforts to relocate its facilities in the manner described in Section 9.A. and in accordance with applicable federal, State, and local laws and regulations after receipt of any such notice, Franchisee shall be solely responsible for, and shall reimburse the County with respect to actual costs and expenses reasonably incurred by the County to relocate the pipelines and other equipment directly caused by Franchisee's neglect or failure to do so in accordance herewith.

**Section 10. Permits.**

Franchisee agrees that its right and privilege to enter a highway in order to Operate and Maintain its facilities, absent an emergent situation, may be conditioned on applying for permits required by the County, in which case, the County permitting office's consent thereto shall not be unreasonably withheld, delayed or conditioned, and the applicable permit shall be issued in a timely manner provided that the underlying requested activities are not in conflict with California law, including, but not limited to, the California Environmental Quality Act (CEQA). County agrees that the compensation provided for in this franchise is for the rights and privileges granted by this franchise, which includes the right and privilege of Franchisee to Operate and Maintain its facilities within the highways, provided that the County expressly reserves the right to impose and collect from Franchisee, administrative processing Fees relating to highway cutting and excavation permits. To the extent that any portion of any highway is damaged by Franchisee or its contractors working under permit, Franchisee shall, at its own cost and expense, repair any such damage and restore such portion of such damaged street to as good condition as existed before such defect or other cause of damage occurred.

## **Section 11. Applicable Laws.**

Franchisee shall comply with all applicable laws relating to the construction, maintenance, and operation of all pipelines, including, but not limited to, United States Department of Transportation Pipeline and Hazardous Materials Safety Administration ("PHMSA") regulations, which do not recognize an "idle" status for gas pipelines, but consider pipelines to be either active or abandoned, the Code of Federal Regulations, California Public Utilities Commission General Orders, other applicable federal and State laws and regulations, and local County ordinances (heretofore or hereafter adopted by the legislative body of the County in the exercise of its police powers in accordance with applicable laws to the extent they do not otherwise conflict with, and are not preempted by, federal or State law or federal or State agency rules and regulations, throughout the term of the franchise) (collectively, "Applicable Laws"). Notwithstanding anything herein to the contrary, in no event shall Division 3A (Pipeline Franchises) of Title 16 (Highways) of the Los Angeles County Code constitute Applicable Laws, nor shall it apply to Franchisee or its operations.

Subject to Applicable Laws, as of the Operative Date, to Franchisee's knowledge, each of its pipelines is either active, abandoned, or deactivated in conformance with PHMSA regulations. Franchisee further acknowledges that, following the termination or expiration of this franchise, it must comply with all Applicable Laws, as may be amended hereafter, to the extent that, from and after such time, Franchisee continues to conduct activities within the County's right-of-way, and/or Franchisee's facilities continue to occupy the County's right-of-way.

**Section 12. County Addresses.**

All fee payments and reports required hereunder, except those expressly directed to be sent to Public Works, shall be sent to the County and addressed as follows:

Franchise/Concessions Section  
County of Los Angeles  
Office of the Auditor-Controller  
Administrative Services, Room 515  
500 West Temple Street  
Los Angeles, California 90012-2713

Applications, reports, notices, and other documents and information referenced in this franchise shall be sent to the County, at the same address referenced above, with a copy to:

Los Angeles County Public Works  
Attn: Survey/Mapping & Property Management Division  
900 South Fremont Avenue  
Alhambra, California 91803

Any notice, request, instruction, or other document to be given to Franchisee shall be addressed as follows:

Southern California Gas Company  
Franchise and Fees Manager  
555 West 5<sup>th</sup> Street, GT20D3  
Los Angeles, California 90013

**Section 13. Franchise Ordinance Operative Date.**

Subject to Franchisee's filing of a written acceptance of the terms and conditions of this franchise ordinance with the executive officer-clerk of the Board, this franchise ordinance shall be effective and binding on the parties hereto in all respects as of January 9, 2025 (the "Operative Date").

#### **Section 14. Remedies for Non-Compliance.**

If Franchisee fails to comply with any of the requirements of the franchise, the County may, in its sole discretion, seek any and all available remedies at law or in equity. Notwithstanding the foregoing, the County, prior to seeking any suspension or termination of this franchise for default, shall give Franchisee not less than ten (10) days' notice in writing of any default thereunder and opportunity to cure. If Franchisee does not within the noticed period begin the work of compliance, or after such beginning does not prosecute the work with due diligence to completion, the County shall hold a hearing, at which Franchisee shall have the right to appear and be heard, and thereupon the County may determine whether such conditions are material and essential to the franchise and whether Franchisee is in default with respect thereto and may thereafter declare the franchise suspended or terminated. Notice of said hearing shall be given to Franchisee by certified mail not less than five (5) business days before said hearing.

[SOCALGASFRAN2024GCCC]

# **Enclosure B**

## ANALYSIS

This ordinance grants a gas pipeline franchise to Southern California Gas Company, a California Corporation ("Franchisee"), to construct, maintain, and operate a pipeline system as further described in Section 1 hereof for an initial term of ten (10) years, beginning on January 9, 2025, and expiring on January 8, 2035, and, subject to its renewal, immediately followed by one renewal term of ten (10) years, beginning on January 9, 2035, and expiring on January 8, 2045, for a total term of up to twenty (20) years, in the unincorporated territory of the County of Los Angeles. The base annual fee payable to the County of Los Angeles by Franchisee will be determined according to a formula contained in Section 2 of this franchise ordinance. Franchisee will also pay additional fees as provided in this franchise ordinance.

DAWYN R. HARRISON  
County Counsel

By 

GRACE V. CHANG  
Principal Deputy County Counsel  
Public Works Division

GVC:lm

Requested: 10/01/2024  
Revised: 10/15/2024

**ORDINANCE NO. \_\_\_\_\_**

An ordinance granting a gas pipeline franchise to Southern California Gas Company, a California corporation, for an initial term of ten (10) years, beginning on January 9, 2025, and, subject to renewal, a renewal term of ten (10) years, expiring on January 8, 2045, for a total of up to twenty (20) years, as described herein.

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

**Section 1. Franchise Term; Grant.**

The right, privilege, and franchise, in conformance with the provisions of Division 3, Chapter 2, of the California Public Utilities Code, is granted to Southern California Gas Company, a California Corporation, ("Franchisee"), and its successors and assigns, to operate and maintain a pipeline system for the transmission and distribution of gas for all purposes, which includes laying, constructing, erecting, installing, operating, maintaining, using, repairing, replacing, and removing (collectively, "Operate and Maintain") pipes, pipelines, mains, services, traps, vents, vaults, manholes, meters, gauges, regulators, valves, conduits, cathodic protection systems, attachments, together with connections and other appurtenances necessary or appropriate for the operation of said facilities and systems, including poles, wire, cables, adjunct communication lines, fittings and other appurtenances and equipment for telegraph, telephone or telecommunication lines or equipment, or both, necessary or appropriate thereto, including with respect to its existing pipeline infrastructure, in each case, used or useful for transmitting and distributing gas for all purposes in, under, along, across, over, or upon any and all public highways, freeways (except state

freeways), roads, ways, alleys, lanes or courts, or other public easements, and above and below the same (each, individually and collectively, referred to herein as a "highway" and as "highways," respectively), which now exists or which may hereafter exist in any unincorporated territory of the County of Los Angeles ("County"), State of California and in which the County has the authority to grant a franchise.

The foregoing shall also include the right of Franchisee to access highways to make service connections (meaning the pipes or conduits connecting the building or place where the service or commodity supplied by Franchisee is used or delivered, or is made available for use or delivery, with the supply line or supply main in the highway or with such supply line or supply main on non-County property) with or through all property adjoining said highways or any of them and to furnish and distribute gas through said pipe and pipelines. The privileges granted hereby do not extend to access in, over, or under any non-County property.

The right, privilege, and franchise described above is granted to Franchisee for an initial term of ten (10) years, beginning on January 9, 2025, and expiring on January 8, 2035 ("Initial Term"), and, subject to its renewal, immediately followed by one renewal term of ten (10) years, beginning on January 9, 2035, and expiring on January 8, 2045 ("Renewal Term"), for a total term of up to twenty (20) years, as provided herein.

No later than July 1, 2034, the Director will report to the Board of Supervisors ("Board") with a recommendation for continuation or termination of the franchise. The report shall include, but is not limited to, presenting a County customer analysis



(number, types and forecast of future energy needs), the effects of any newly implemented applicable policies, Franchisee's progress towards its 2045 decarbonization goals, the franchise compliance reports, and any franchise compliance or other relevant issues. Upon consideration of the report, the Board may cancel the Renewal Term. The Renewal Term shall be exercised automatically unless the Board takes an affirmative action to cancel the Renewal Term. Nothing in this Section shall prohibit the Board from exercising its authority under Applicable Laws.

Sections 6, 8, 10, and 11 shall survive any termination or expiration of the franchise to the extent any of Franchisee's pipeline system that was under franchise at the time of termination or expiration (and not otherwise subject to a superior right, such as an easement) remains in the highway(s) at the time any of such surviving Sections are being enforced after termination or expiration.

**Section 2. Consideration; Payment of Fees.**

A. Granting Fee. As consideration for the franchise granted, transferred, extended, or otherwise amended, Franchisee shall pay the County a fee of ten thousand dollars (\$10,000) within thirty (30) days after the adoption of this ordinance.

B. Exception Fee. As consideration for the County making an exception to the County's standard 5-year term limit on certain types of franchises, Franchisee shall pay the County an amount of five million dollars (\$5,000,000) (the "Exception Fee"). The Exception Fee will cover the entire period of the Initial Term; in addition, if the Renewal Term is not cancelled, the Exception Fee will cover the entire period of the Renewal Term. The Exception Fee is payable within thirty (30) days of the Operative

Date. The County will use the Exception Fee to establish a Climate Equity Account. Franchisee shall not apply to the California Public Utilities Commission ("CPUC") to recover the Exception Fee in rates or other charges from gas customers. County shall separate the Exception Fee from the County general fund to provide transparency regarding the use of the Exception Fee. Franchisee shall have no rights or obligations with respect to the establishment of such account or the distribution of amounts to or from such account.

C. Annual Franchise Fee. During such time as Franchisee's operations and rates for transportation are subject to the provisions of section 6231 of the California Public Utilities Code, the consideration shall be calculated pursuant to said section as follows:

As additional consideration for the franchise granted or extended, Franchisee shall pay annually in arrears, on or before April 15 following the end of each calendar year ("Fee Payment Date"), for each year during the life of the franchise, to the County, in lawful money of the United States, a franchise fee computed annually as follows ("Annual Franchise Fee"): two percent (2%) of the gross annual receipts of Franchisee arising from the use, operation, or possession of the franchise; provided, however, that such payment shall in no event be less than one percent (1%) of the gross annual receipts of Franchisee derived from the sale within the franchise area of the commodity or service for which the franchise is awarded. Such percentage shall be paid annually during the life of the franchise, including the year of granting of the franchise. If the State legislature increases the franchise payment applicable to gas corporation public

utilities to a level greater than that provided in section 6231 of the California Public Utilities Code, then County shall have the option of prospectively employing the increased legislative formula for the remaining term of the franchise instead of the payments set forth herein upon provision of at least sixty (60) days' prior written notice to Franchisee.

D. In addition to the foregoing Exception Fee and Annual Franchise Fee, Franchisee shall also pay to:

1. The Los Angeles County Department of Public Works ("Public Works"), 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 that preceding calendar year; provided, however, whenever the length of any pipeline (or portion thereof) is a factor in calculating any payment due under this franchise, all, (a) service connections and (b) pipelines abandoned or removed in accordance with Section 8, shall be excluded in determining such length; and

2. Public Works, any reasonable application fees, administrative fees and processing fees (and any reasonable late charges, accrued interest, and penalties applicable thereto) required in connection with this franchise, all of which may be charged at the then-current applicable rates, provided such fees are imposed generally on all non-governmental entities and persons and the amount of such fees does not exceed the actual, reasonable expense to the County of the County activity to which they relate (e.g., processing) ("Fees"). Franchisee is not at any time required to pay

any Fees to the County determined by a governmental court or authority of competent jurisdiction to be invalid, void, or unenforceable pursuant to Applicable Laws (as defined below in Section 11).

**Section 3. Annual Franchise Fee Reports.**

Franchisee shall, during the life of the franchise:

A. File with the County Auditor-Controller and Public Works, on or before the Fee Payment Date, with one copy to each, a report, verified under oath by a duly authorized representative of Franchisee, showing as of December 31 of the immediately preceding calendar year ("Franchise Report Period"), the total gross receipts of Franchisee for the immediately preceding franchise report period, received or accrued in connection with the furnishing of the commodity or service arising from the use or operation of the franchise, together with such additional data as is necessary in the opinion of the County Auditor-Controller and/or Public Works to calculate or verify the calculation of the annual franchise fee as required by subsection 2.C.

B. Show in the report prepared pursuant to subsection 3.A., above, any change in franchise footage since the end of the most recent Franchise Report Period, segregating such footage as to new main lines laid, old main lines removed, old main lines abandoned in place, and the footage of mains in territory annexed or incorporated since the last day of the most recent Franchise Report Period.

C. File with Public Works, on or before the Fee Payment Date, 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. Reports, Monitoring and Maps.**

A. Franchisee shall provide the County with copies of the following publicly filed reports to State agencies as the last of the following becomes generally publicly available with respect to a given calendar year, from and after the Operative Date:

1. California Air Resources Board (CARB) Oil and Gas Methane Regulation reports, annual leak detection and repair (LDAR) reports for natural gas production, storage, transmission and compressor stations;
2. CPUC Senate Bill 1371 natural gas leakage abatement reports;
3. Pipeline hydrostatic pressure test results;
4. California Geologic Energy Management (CalGEM) Title 14 "Requirements for California Underground Gas Storage Projects" reports (including, but not limited to, risk management plans, emergency response plans, mechanical integrity testing, monitoring, inspection, maintenance of wellheads and valves and leak reporting);
5. Gas Safety Plan; and
6. Any other publicly available reports required by State agencies with jurisdiction over Franchisee (including, but not limited to, the California State Fire Marshal, CARB, Cal GEM, and the CPUC), including regarding inspections, inspection plans, and infrastructure maintenance.

The County shall provide to Franchisee a list annually, and/or as-needed, of the documents the County requests. Franchisee shall exercise reasonable efforts to promptly provide the County with copies of publicly-available reports regarding compliance with the foregoing requirements requested in writing by County, which such requests may occur no more frequently than annually during the term of this franchise. In furtherance of the foregoing, Franchisee will provide County with access to a shared file site to facilitate transfer of the foregoing publicly-available documents.

B. Franchisee shall meet annually with the County at County's request and shall provide an annual report on progress towards its ASPIRE 2045 Sustainability Strategy within the unincorporated County and entire County, including its interim milestones and overall aspiration to achieve net zero greenhouse gas emissions in its operations and delivery of energy by 2045. Franchisee has set a net zero carbon by 2045 target that includes scopes 1, 2, and 3 greenhouse gas emissions (reduction of direct emissions and those generated by customers from energy delivered by Franchisee's energy infrastructure).

C. Franchisee shall install air quality fence-line monitors to detect methane at Franchisee's current underground storage facilities (i.e., Aliso Canyon and Honor Rancho) as well as any future underground storage facilities, each as to the extent located within the unincorporated territory of the County, so long as such facilities remain owned and operated by Franchisee during the term of this franchise. All air monitoring data shall be real-time time resolution and publicly available (i.e., internet webpage display); provided, that, such resolution may have a latency of up to two (2)

business days for purposes of Franchisee's quality assurance/quality control processes in which case Franchisee will be considered in compliance herewith.

D. For the purpose of planning, design and/or construction of the County Improvements (as defined below in Section 9) within a County highway, Franchisee shall, subject to its confidentiality requirements regarding the same, upon written request by the County, provide to the County within ten (10) calendar days of such written request, and immediately in the case of a County proclaimed emergency, Geographic Information System ("GIS") locational data, or other locational records of Franchisee's facilities ("Location Data"), as the County in its reasonable discretion requires for such County Improvements, in a form and type determined by Franchisee in its reasonable discretion in accordance with good utility practice, provided that such files shall be in the form of Franchisee's standard GIS map product depicting facilities within a designated grid referred to as a GIS "Atlas Sheet" and provided to the County via shared file site; provided, however, that notwithstanding anything herein to the contrary, Franchisee shall not be obligated to provide such data if doing so could cause Franchisee to violate or otherwise act in a manner inconsistent with federal or State rules, regulations or other guidance concerning the disclosure of critical energy infrastructure information as defined by 18 C.F.R. §388.113(c), critical infrastructure information as defined under 6 U.S.C. §§ 650(4) and 671(3), 42 U.S.C. § 5195c, and 6 CFR 29.1, et seq., and sensitive security information as defined under 49 C.F.R. § 1520.5 (collectively, "CEII"). To the extent any Location Data constitutes CEII, the County agrees to enter into a non-disclosure agreement with Franchisee pursuant to

which it will agree to keep such information confidential, including agreeing not to produce such information in response to a request for documents under the California Public Records Act and the Freedom of Information Act. Although Franchisee will make reasonable efforts to provide accurate GIS data to the County for the County's design, engineering and planning purposes, Franchisee makes no representations or warranties to Franchisee or any of its agents, contractors or representatives that such GIS data may be relied upon for field work. The GIS data shall not be a substitute for the County's required conflict check and dig alert obligations prior to starting any field work.

**Section 5. Late Payments.**

In the event Franchisee fails to make any of the payments set forth in Section 2.C. on or before the dates they are due, Franchisee shall pay a late charge equal to one percent (1%) per month of the amount due from the last day of the period for which said payment was due.

**Section 6. 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 Entities") from and against any and all expenses, costs, fees, damages, claims, liabilities, and lawsuits of any nature by third parties, including, without limitation, those involving, relating to, or asserting bodily injury, personal injury, death, property damage, and attorneys' fees, (collectively "Claims"), that relate to or arise from: (1) Franchisee's



use or exercise of the franchise and/or the operations or services provided by Franchisee, its employees, agents, servants, receivers, contractors, subcontractors, successors, or assignees ("Franchisee Entities") in connection with the franchise; and/or (2) any acts or omissions of Franchisee or Franchisee Entities in connection with the activities or work conducted or performed pursuant to the franchise and/or arising out of such activities or work; provided that Franchisee's duty to defend, indemnify, and hold harmless the County Entities shall not apply to the extent any Claims or liabilities arise from or relate to: (1) the active negligence, willful misconduct, or violation of law of the County Entities; (2) the County's right, power or authority (including acquisition of necessary consents and approvals) to issue (including the amendment, renewal or extension of) the franchise to Franchisee, the County's administration of the franchise, or claims that the terms contained herein violate Applicable Laws or any of County Entities' internal procedures; or (3) any payments or consideration made by Franchisee to the County (or any of the County Entities) in consideration of, or related to, the franchise, including, without limitation, the Exception Fee or the Climate Equity Account.

B. Subject to Applicable Laws, Franchisee agrees to notify, within the relevant time frame as prescribed by Applicable Laws, the applicable County local lead agency for emergency notification (i.e., the Certified Unified Program Agency, Administering Agency or Participation Agency, depending on the location), with respect to any unplanned release, as defined by California Health & Safety Code section 25501(p), of gas from Franchisee's current underground storage facilities (i.e., Aliso Canyon and Honor Rancho) as well as any future underground storage facilities,

each as to the extent located within the unincorporated territory of the County, so long as such facilities remain owned and operated by Franchisee during the term of this franchise, that results in persistent odors outside of such property's boundaries and poses a significant or potentially significant hazard to human health and safety, property, or the environment (an "Unplanned Gas Release"). All actions to investigate, remove, or remediate any Unplanned Gas Release reasonably demonstrated to be so released as described above, and to repair or restore Franchisee's pipelines and appurtenances to the extent necessary, 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 at Franchisee's sole cost and expense, and shall, subject to Applicable Laws, be undertaken by Franchisee or Franchisee's agents as soon as reasonably practicable after becoming aware of the same.

C. Without limiting Franchisee's indemnification of the County and the County Entities, Franchisee shall provide and maintain at its own expense, during the term of this franchise, the following programs of insurance or self-insurance. Such programs and evidence of insurance are required to 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 to Public Works on or before the Operative Date, and renewal certificates within thirty (30) days of policy renewal. Such certificates or other evidence of coverage shall:

- a. Specifically identify this franchise ordinance;
  - b. Clearly evidence all insurance required in this franchise ordinance;
  - c. Contain the express condition that the County is to be given written notice by mail at least thirty (30) days in advance of any material modification, non-renewal, cancellation, or termination of any program of liability insurance, and at least thirty (30) days in advance of any material modification, non-renewal, cancellation, or termination of any program of Workers' Compensation or other insurance required by this Section;
  - d. Include a copy of the blanket additional insured endorsement to the commercial general liability policy, adding the County and County Entities (collectively, "County Insureds") as additional insureds for all activities arising from this franchise; and
  - e. Franchisee shall provide that the coverage is primary for all purposes and Franchisee shall not seek any contribution from any insurance or self-insurance maintained by the County.
2. Franchisee shall have the right to self-insure any of the insurance requirements.
  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. Franchisee agrees to release the County and the County Insureds and waive its rights of recovery against them under the insurance policies specified in this franchise ordinance.

5. Such insurance shall be endorsed naming the County and the County Insureds as additional insureds, and shall include, but not be limited to:

a. Commercial General Liability insurance with a combined single limit of not less than thirty million dollars (\$30,000,000) per occurrence.

i. If written on a claims-made form, such insurance shall be endorsed to provide an extended reporting period of not less than one (1) year following termination or cancellation of this franchise.

b. Comprehensive Auto Liability insurance endorsed for all owned, non-owned, and hired vehicles with a limit of not less than five million dollars (\$5,000,000) per occurrence.

c. Pollution Liability insurance, which insures cleanup cost for "Sudden and Accidental" contamination or pollution. Such coverage shall be in an amount of not less than thirty million dollars (\$30,000,000) per occurrence. This pollution liability coverage may be included in the commercial general liability policy.

i. If written on a claims-made form, such insurance shall be endorsed to provide an extended reporting period of not less than one (1) year following termination or cancellation of this franchise.

6. A program of Workers' Compensation insurance in an amount and form to meet all applicable requirements of the California Labor Code and the

"Longshoreman and Harbor Worker Compensation Act," (33 U.S.C. § 901 et seq., as it may hereafter be amended, including Employer's Liability) with not less than a one million dollar (\$1,000,000) limit, covering all persons providing services on behalf of Franchisee and all persons Franchisee is legally required to cover.

D. Franchisee shall furnish Public Works, within thirty (30) days of the Operative Date, and within thirty (30) days of the expiration date of each term of insurance, a certificate of insurance for each of said policies executed by Franchisee's insurance agent, or by the company issuing the policy, certifying that the policy is in force.

E. Within thirty (30) days following the Operative Date, Franchisee shall provide to Public Works a faithful performance bond in the sum of not less than one million dollars (\$1,000,000), payable to the County 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 Franchisee of the terms and conditions of this franchise and shall provide that, in case of the breach of any condition of this franchise, the whole amount of the penal sum of one million dollars (\$1,000,000), or any portion thereof, 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. This bond may be provided on an annual basis, renewable by continuation certificate or other mutually agreed documentation. 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 year following the County's approval of any sale, transfer, assignment, or other change of ownership of the franchise, or following the expiration or termination of this franchise. The County, in its sole discretion, may release said bond prior to the end of the one-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 instruments shall be made payable to the County and shall be deposited with the County's Auditor-Controller and/or Treasurer and/or Treasurer Tax Collector, as applicable.

F. The types and amounts of said insurance coverage and bonding shall be subject to review and reasonable adjustment by the County, not more frequently than every five (5) years during the term of the franchise. In the event of such requested adjustment and subject to the agreement of Franchisee, Franchisee agrees to obtain said adjusted insurance coverage and bonding, in type(s) and amount(s) determined by the County, within ninety (90) days after written notice from the County.

G. It is the obligation of Franchisee to provide evidence of current insurance and bonding. Any franchise operations shall not commence until Franchisee has

complied with the provisions of this Section, and any operations shall be suspended during any period that Franchisee fails to obtain or maintain the insurance and bonding required hereunder.

**Section 7. Transfers and Assignments.**

A. Franchisee shall not sell, transfer (including stock transfer), exchange, assign, lease, or divest itself 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 as provided in this Section and after payment of a transfer fee as detailed in subsection 7.G.

B. Franchisee shall inform Public Works of any pending Assignment, except as excluded in subsection 7.D., and shall provide those documents as set forth in subsection 7.E. Consent to any such Assignment shall only be refused if the County finds that Franchisee is not in compliance with the terms and conditions of the franchise and/or that the proposed Transferee, as applicable, is lacking in financial ability to meet the franchise obligations. Consent shall not be unreasonably withheld, delayed or conditioned other than as conditioned upon the terms and conditions set forth in the Assignment Documents, as defined under subsection 7.E.3., delivered to Public Works, the assumption by Transferee, as applicable, of all Franchisee's covenants and obligations under the franchise, and all information provided to the County under subsection 7.F., being true and correct as of completion of the Assignment. Upon receipt of such consent from the County, Franchisee may proceed to consummate the Assignment.

C. Franchisee shall send to Public Works, within thirty (30) days after the effective date of any Assignment, certified copies of the duly executed instrument(s) that officially evidence(s) such Assignment. If any such duly executed instrument is not sent to Public Works within thirty (30) days after the effective date of such proposed Assignment, then the County may determine, and then notify Franchisee and the proposed Transferee, that the Assignment has no force or effect and/or that the franchise is forfeited.

D. 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 without notice to or the consent of the County so long as such sale, transfer, exchange, Assignment, divestment, or other change, including a merger, does not result in giving majority or sole control of Franchisee to any person or persons, corporation, partnership, or legal entity other than the person or entity with the controlling interest in Franchisee on the Operative Date or the effective date of the last approved Assignment. Otherwise, consent thereof shall be required as otherwise provided in this Section. Furthermore, no notice to or consent of the County will be required to any Assignment that has been authorized by the CPUC, that is made to an affiliate of Franchisee, or that is result of Franchisee's inclusion of this franchise as security under a mortgage, deed of trust or other security agreement securing the repayment of bonds or notes, including any transfer of the franchise in trust or by way of mortgage or hypothecation with all or a part of Franchisee's other property for the purpose of securing any indebtedness of



Franchisee, except that Franchisee shall ensure that any Transferee shall be fully bound by the terms and conditions of this franchise.

E. Except for any Assignments made pursuant to subsection 7.D., upon notice by Franchisee of any proposed Assignment, the proposed Transferee shall submit an Assignment notice to Public Works, 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 by-laws, 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 (including a balance sheet, a profit and loss statement, and a statement of changes in financial position), if available, or similar financial documentation demonstrating conclusively to the satisfaction of the County that the proposed Transferee has all of the financial resources necessary to carry out all of the terms and conditions of the franchise.

3. Subject to confidentiality requirements, a copy of the proposed provision of the agreement of sale, letter of understanding, or other documentation, which details the proposed Assignment ("Assignment Documents").

4. Other information that may be reasonably required by the County to assess the capability of the proposed Transferee to Operate and Maintain the franchise.

F. A transfer fee of ten thousand dollars (\$10,000) shall be submitted with Franchisee's request for the County's consent to any Assignment described in subsection 7.A., above. If the County's actual, reasonable and documented costs to process the proposed Assignment application, including any consultant fees incurred by the County to assist in evaluating the application, exceed the transfer fee amount of ten thousand dollars (\$10,000), Franchisee and the proposed Transferee, or either, shall pay any such reasonable, additional costs incurred by the County in processing the Assignment application; provided that, Franchisee reserves the right to challenge such costs to the extent they are unreasonable and unsubstantiated. Such additional costs shall be paid by Franchisee and the proposed Transferee, or either, prior to final consideration of the request for Assignment by the County or the Board, as applicable.

**Section 8. Removal or Abandonment of Facilities.**

A. At the time of expiration, revocation, or termination of this franchise or of the permanent discontinuance of the use of a portion or all of its pipes and appurtenances, Franchisee shall, within thirty (30) days thereafter, make a written notification to Public Works for its intent to engage in one of the following in accordance with applicable federal, State, and local laws and regulations: (1) abandon all, or a portion, of such pipes and appurtenances in place; or (2) remove all, or a portion, of such pipes and appurtenances. Such notification will describe the pipes and appurtenances desired to be abandoned by reference to the map or maps required by this franchise and will describe with reasonable accuracy the relative physical condition of the pipes and appurtenances. Within thirty (30) days of Franchisee's notification as

set forth above, subject to Applicable Laws, including determinations and orders of the CPUC, Public Works will determine whether any abandonment, removal or transfer that is proposed may be effected without detriment to the public interest or under what conditions the proposed abandonment, removal or transfer may be safely effected, and Public Works will then notify Franchisee of any such requirements and require Franchisee to either remove all, or a portion, of such pipes and appurtenances, or abandon in place all, or a portion, of such pipes and appurtenances, as applicable and consistent with Franchisee's notification. If, for any reason, Franchisee suspends operations of any of the pipes and appurtenances contained in this franchise for a period more than ninety (90) days, Franchisee will notify Public Works. During this period of suspended operations, Franchisee will maintain said pipes and appurtenances in accordance with all Applicable Laws, including determinations and orders of the CPUC.

B. If any pipes and appurtenances to be abandoned in place subject to prescribed conditions are not abandoned in accordance with all such conditions, then, subject to Applicable Laws, including determinations and orders of the CPUC, Public Works may make additional appropriate orders in its reasonable discretion, including, an order that Franchisee remove all such pipes and appurtenances in accordance with applicable requirements. In the event Franchisee fails to remove any pipes and appurtenances that it is obligated to remove in accordance with the immediately preceding sentence and with such applicable requirements as may be prescribed by Public Works, then, subject to Applicable Laws, including determinations and orders of

the CPUC, Public Works may remove such applicable pipes and appurtenances at Franchisee's expense and Franchisee will pay to the County within sixty (60) days after delivery of an itemized bill with supporting documentation the reasonable cost of such removal.

C. Abandoned pipelines on County highways remain property of Franchisee. Should the abandoned pipelines interfere with future utility or underground facility, said pipelines would, subject to Applicable Laws, including determinations and orders of the CPUC, be removed by others at their expense as necessary.

D. For the purposes of the payment of fees provisions in Section 2 of this franchise, facilities shall exist as such until: (1) inspection reports of Public Works indicate the work of removal has been done to its satisfaction or (2) in the case of facilities to be abandoned in-place, such facilities have been so abandoned in accordance with this Section 8.

E. This Section will survive the termination or expiration of this franchise.

**Section 9. Relocation of Pipelines.**

A. The County reserves the right to: (1) lawfully change the grade, width or alignment of any highway or (2) lay, construct, repair, alter, relocate and maintain subsurface or other facilities or improvements of any type or description in a governmental but not proprietary capacity within the highways, in each case of clauses (1) and (2), with respect to which the franchise is granted (such actions, collectively, a "County Improvement"). If any of the pipelines, facilities or appurtenances heretofore or hereafter constructed, installed or maintained by Franchisee pursuant to this franchise

on, along, under, over, in, upon or across any highway are located in a manner that prevents or interferes with a proposed County Improvement, Franchisee shall relocate permanently or temporarily any such facility at no expense to the County upon receipt of a written request from the County road commissioner to do so, and shall use its commercially reasonable efforts to commence such work on or before the date specified in such written request, which date shall be not less than thirty (30) days from receipt of such written request, except: (1) as the law may otherwise provide, (2) where Franchisee's right to possession is pursuant to instruments evidencing right-of-way (e.g., easements, licenses or other superior interests in real property), or (3) where the removal or relocation is made at the request of the County on behalf of or for the benefit of any private developer, agency or other third party. Franchisee shall thereafter diligently prosecute such work to completion; provided, however, if such highway be subsequently constituted as a state highway, thereafter and so long as such highway remains a state highway, no such change of location shall be required for a temporary purpose. Notwithstanding anything herein to the contrary, no relocation requirement shall preclude Franchisee from receiving reimbursement for the relocation of its facilities if and to the extent otherwise lawfully entitled thereto. Moreover, nothing herein affects any other relocation payment obligations of any other person or entity, including, but not limited to, the Los Angeles County Metropolitan Transportation Authority.

B. In the event Franchisee receives notice from the County to relocate its pipelines and appurtenances due to a County Improvement in accordance with Section 9.A. above, if Franchisee neglects or fails to use commercially reasonable

efforts to relocate its facilities in the manner described in Section 9.A. and in accordance with applicable federal, State, and local laws and regulations after receipt of any such notice, Franchisee shall be solely responsible for, and shall reimburse the County with respect to actual costs and expenses reasonably incurred by the County to relocate the pipelines and other equipment directly caused by Franchisee's neglect or failure to do so in accordance herewith.

**Section 10. Permits.**

Franchisee agrees that its right and privilege to enter a highway in order to Operate and Maintain its facilities, absent an emergent situation, may be conditioned on applying for permits required by the County, in which case, the County permitting office's consent thereto shall not be unreasonably withheld, delayed or conditioned, and the applicable permit shall be issued in a timely manner provided that the underlying requested activities are not in conflict with California law, including, but not limited to, the California Environmental Quality Act (CEQA). County agrees that the compensation provided for in this franchise is for the rights and privileges granted by this franchise, which includes the right and privilege of Franchisee to Operate and Maintain its facilities within the highways, provided that the County expressly reserves the right to impose and collect from Franchisee, administrative processing Fees relating to highway cutting and excavation permits. To the extent that any portion of any highway is damaged by Franchisee or its contractors working under permit, Franchisee shall, at its own cost and expense, repair any such damage and restore such portion of such damaged street to as good condition as existed before such defect or other cause of damage occurred.

## **Section 11. Applicable Laws.**

Franchisee shall comply with all applicable laws relating to the construction, maintenance, and operation of all pipelines, including, but not limited to, United States Department of Transportation Pipeline and Hazardous Materials Safety Administration ("PHMSA") regulations, which do not recognize an "idle" status for gas pipelines, but consider pipelines to be either active or abandoned, the Code of Federal Regulations, California Public Utilities Commission General Orders, other applicable federal and State laws and regulations, and local County ordinances (heretofore or hereafter adopted by the legislative body of the County in the exercise of its police powers in accordance with applicable laws to the extent they do not otherwise conflict with, and are not preempted by, federal or State law or federal or State agency rules and regulations, throughout the term of the franchise) (collectively, "Applicable Laws"). Notwithstanding anything herein to the contrary, in no event shall Division 3A (Pipeline Franchises) of Title 16 (Highways) of the Los Angeles County Code constitute Applicable Laws, nor shall it apply to Franchisee or its operations.

Subject to Applicable Laws, as of the Operative Date, to Franchisee's knowledge, each of its pipelines is either active, abandoned, or deactivated in conformance with PHMSA regulations. Franchisee further acknowledges that, following the termination or expiration of this franchise, it must comply with all Applicable Laws, as may be amended hereafter, to the extent that, from and after such time, Franchisee continues to conduct activities within the County's right-of-way, and/or Franchisee's facilities continue to occupy the County's right-of-way.

**Section 12. County Addresses.**

All fee payments and reports required hereunder, except those expressly directed to be sent to Public Works, shall be sent to the County and addressed as follows:

Franchise/Concessions Section  
County of Los Angeles  
Office of the Auditor-Controller  
Administrative Services, Room 515  
500 West Temple Street  
Los Angeles, California 90012-2713

Applications, reports, notices, and other documents and information referenced in this franchise shall be sent to the County, at the same address referenced above, with a copy to:

Los Angeles County Public Works  
Attn: Survey/Mapping & Property Management Division  
900 South Fremont Avenue  
Alhambra, California 91803

Any notice, request, instruction, or other document to be given to Franchisee shall be addressed as follows:

Southern California Gas Company  
Franchise and Fees Manager  
555 West 5<sup>th</sup> Street, GT20D3  
Los Angeles, California 90013

**Section 13. Franchise Ordinance Operative Date.**

Subject to Franchisee's filing of a written acceptance of the terms and conditions of this franchise ordinance with the executive officer-clerk of the Board, this franchise ordinance shall be effective and binding on the parties hereto in all respects as of January 9, 2025 (the "Operative Date").



#### **Section 14. Remedies for Non-Compliance.**

If Franchisee fails to comply with any of the requirements of the franchise, the County may, in its sole discretion, seek any and all available remedies at law or in equity. Notwithstanding the foregoing, the County, prior to seeking any suspension or termination of this franchise for default, shall give Franchisee not less than ten (10) days' notice in writing of any default thereunder and opportunity to cure. If Franchisee does not within the noticed period begin the work of compliance, or after such beginning does not prosecute the work with due diligence to completion, the County shall hold a hearing, at which Franchisee shall have the right to appear and be heard, and thereupon the County may determine whether such conditions are material and essential to the franchise and whether Franchisee is in default with respect thereto and may thereafter declare the franchise suspended or terminated. Notice of said hearing shall be given to Franchisee by certified mail not less than five (5) business days before said hearing.

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