



Legislation Text

File #: 18-0460, **Version:** 4

Recommendation to declare ordinance granting to Southern California Gas Company, a corporation, the right, privilege and franchise upon terms and conditions herein set forth to lay and use pipes and appurtenances for transmitting and distributing gas for the purposes as specified hereinafter under, along, across or upon certain public streets, ways, alleys and places, as the same now or may hereafter exist, within the City of Long Beach, read and adopted as read. (Citywide)

On May 15, 2018, the City Council adopted a Resolution of Intention declaring its intent to grant a limited Natural Gas Franchise with the Southern California Gas Company (SoCalGas) for the purpose of transmitting and distributing natural gas within the City of Long Beach (City) and set the public hearing for June 12, 2018.

California Code, Public Utilities Code - PUC § 6233 requires a public hearing to be held before the City Council and a publication of hearing in a newspaper of general circulation within the municipality before granting of a gas franchise. A public hearing notice was published in the Long Beach Press-Telegram on May 16, 2018, and no responses were received as of the date of preparation of this report. Any responses and comments received will be conveyed to the City Council prior to the public hearing.

The attached Ordinance (Franchise Ordinance) grants SoCalGas a limited right to lay, construct, operate, maintain, repair and replace, or remove pipelines and other facilities for transmitting, conducting, and distributing natural gas within the City for a 50-year term and replaces Ordinance C-7106, which expired on June 7, 2018. Under the new Franchise Ordinance, the annual permit fee paid to the City by SoCalGas will be eliminated. The franchise fee component will remain unchanged and continue at 2 percent of the gross annual receipts arising from the use, operation, or possession of said franchise, plus an "in-lieu" fee, which is that certain fee described in the "Municipal Lands Use Surcharge Act," Chapter 2.5 of Division 3 of the California Public Utilities Commission (CPUC) Code, plus an additional 1 percent surcharge of the "imputed value" of transport gas volumes delivered to its utility electric generation (UEG) customers.

The franchise agreement was negotiated exclusively with SoCalGas without going to bid as SoCalGas is the sole owner and operator of the gas service utility adjacent to, and surrounding the City, and is the only corporation, firm, or individual that could or would bid for the furnishing of this franchise.

The Energy Resources Department requests the City Council adopt the Franchise Ordinance granting franchise rights to SoCalGas after the final reading.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on May 30, 2018 and by Revenue Management Officer Geraldine Alejo on May 30, 2018.

City Council action is requested on June 12, 2018, to ensure the Franchise Ordinance is in place expeditiously.

Franchise fee revenue from SoCalGas is approximately \$2,600,000 per year and accrues in the General Fund (GF) in the Citywide Activities Department (XC). Under the proposed agreement, the franchise fee paid to the City will remain unchanged and continue at 2 percent of the gross annual receipts of gas delivered by SoCalGas, plus the CPUC-approved Municipal Public Lands Use Surcharge, plus a 1 percent surcharge of the imputed value of SoCalGas transport gas volumes to its UEG customers. Under the new agreement, the annual permit fee paid to the City will be eliminated; however, the addition of the CPUC-approved 1 percent surcharge on the imputed value of transport gas volumes to its UEG customers is anticipated to offset the annual permit fee loss of \$440,000 in the General Fund (GF) in the Citywide Activities Department (XC). There is no local job impact associated with this recommendation.

Approve recommendation.

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF LONG BEACH GRANTING TO SOUTHERN CALIFORNIA GAS COMPANY, A CORPORATION, THE RIGHT, PRIVILEGE AND FRANCHISE UPON TERMS AND CONDITIONS HEREIN SET FORTH TO LAY AND USE PIPES AND APPURTENANCES FOR TRANSMITTING AND DISTRIBUTING GAS FOR THE PURPOSES AS SPECIFIED HEREINAFTER UNDER, ALONG, ACROSS OR UPON CERTAIN PUBLIC STREETS, WAYS, ALLEYS AND PLACES, AS THE SAME NOW OR MAY HEREAFTER EXIST, WITHIN THE CITY OF LONG BEACH

ROBERT M. DOWELL
DIRECTOR OF ENERGY RESOURCES

APPROVED:

PATRICK H. WEST
CITY MANAGER