

April 20, 2004

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Proposed Change in Ordinance No. C-7106, the Franchise With
Southern California Gas Company

DISCUSSION

The Southern California Gas Company ("SoCalGas") has been delivering natural gas to a small number of consumers in Long Beach, including three large electrical generating plants, pursuant to Franchise Ordinance No. C-7106 that has been in effect since 1993. For this privilege, SoCalGas pays a franchise fee to the City. The franchise provides that the SoCalGas franchise payments include an "In-Lieu Fee" equal to two percent (2%) of the "imputed value" of the gas delivered by SoCalGas. The franchise recognizes that there may be a need at times to change the way the imputed value of the gas delivered by SoCalGas is calculated. SoCalGas has proposed that, effective with the payment of the franchise fee for the fourth quarter of 2003, which was due on March 25, 2004, the imputed value be calculated in reference to the SoCalGas adjusted core procurement rate (GCPA). The SoCalGas GCPA adequately reflects the imputed value of gas delivered by SoCalGas under the franchise. This proposal is consistent with Section 6353(b) of the California Public Utilities Code that mandates the use of the SoCalGas GCPA rate for General Law Cities.

This matter was reviewed by Deputy City Attorney, Carol Shaw and Budget Manager, Mike Killebrew on April 15, 2004.

TIMING CONSIDERATION

The franchise fee payment from SoCalGas for the fourth quarter of 2003 was due March 25, 2004 and is being withheld until an agreement has been reached with the City regarding the In-Lieu Fee.

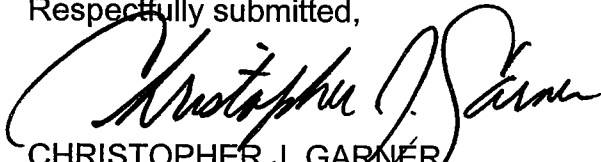
FISCAL IMPACT

The use of the SoCalGas GCPA rate is not expected to result in any significant increase or decrease in the total franchise fee payments from SoCalGas.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Amend Franchise Ordinance No.C-7106 with the Southern California Gas Company to use the SoCal Gas adjusted core procurement rate (GCPA) to calculate the "In-Lieu Fee" portion of the franchise fee, effective with the payment of the franchise fee for the fourth quarter 2003.

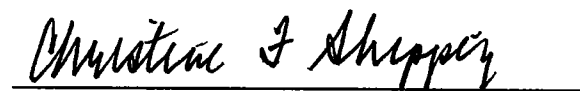
Respectfully submitted,



CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH ENERGY

CJG:car
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APPROVED:



GERALD R. MILLER
CITY MANAGER