# OFFICE OF THE CITY ATTORNEY CHARLES PARKIN, City Attorney 333 West Ocean Boulevard, 11th Floor Long Beach. CA 90802-4664

### **CUSTOMER NATURAL GAS TRANSPORTATION/SERVICE AGREEMENT**

## 

THIS AGREEMENT is made and entered into, as of May 28, 2019, by and between CHAI FIVE LAUNDRY SERVICES LLC DBA FOASBERG LAUNDRY & CLEANERS, INC., a California limited liability company ("Customer"), and the CITY OF LONG BEACH, a municipal corporation, through its ENERGY RESOURCES DEPARTMENT ("City" or "ER", and together with Customer, each a "Party") under the authority given by the City Council of the City of Long Beach in Chapter 15.36 of the Long Beach Municipal Code and Resolution Number RES-17-0049 approved May 9, 2017, or as amended, for transportation and service of gas within the City of Long Beach for Rate Schedule 5, 7 and 9 Customers.

NOW, THEREFORE, in consideration of the mutual terms, covenants, and conditions in this Agreement, the parties agree as follows:

1. TERM AND TERMINATION. This Agreement shall be effective on July 1, 2019 and terminate at midnight on July 31, 2022, subject to the terms and conditions set forth herein. Following the initial term, this Agreement shall automatically renew annually for a period of one (1) year, unless a Party delivers a written termination notice to the other Party at lease ninety (90) days prior to the then-current termination date. Any Party may terminate this Agreement at any time by giving the other Party ninety (90) days prior written notice.

#### 2. DEFINITIONS.

Agent / Contracted Marketer: Shall mean Shell Energy North America (SENA), or any replacement therefor designated in writing by ER.

<u>Base Period</u>: Shall mean the twelve (12) month period of time immediately prior to Customer obtaining Standby Customer status.

Business Day: Shall mean a day in which the City is open for business. A Business Day shall open at 7:30 a.m. and close at 4:30 p.m., Pacific Clock Time.

<u>CPUC</u>: Shall mean the California Public Utilities Commission or its

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

successor agency with regulatory jurisdiction over intrastate pipelines, tariff and gas services in California.

Curtailment: When SoCalGas and/or ER (jointly or separately referred hereafter in this definition as "Utility") or other operator of any other transmission pipeline used by ER, initiates suspension of gas service, Utility may temporarily reduce the daily quantity of gas it will transport or deliver or terminate service entirely for certain service categories as needed for operational and/or contractual requirements. Curtailment is implemented when, in the Utility's judgment, there exists a restriction or limitation on Utility transmission or distribution pipelines necessary for the acceptance, transportation or subsequent redelivery of gas resulting in Utility being unable to meet its operational, contractual or gas customers' requirements or when the Utility has a deficiency of gas supply available to meet its operational, contractual or sales customers' requirements.

Force Majeure: Shall mean, without limitation, the following events: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption and/or curtailment of transportation and/or storage by transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and (v) governmental actions such as necessity for compliance with any court order, law statute, ordinance, regulation or policy having the effect of law promulgated by a governmental authority having jurisdiction.

Gas: Shall mean natural gas.

Imputed Value of the Commodity: For purposes of this Agreement, ER and Customer intend that the imputed value equals ER's Noncore Commodity Charge.

ER's Noncore Commodity Charge: Shall mean an amount equal to ER's

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

weighted average cost per therm of gas supply purchased, necessary to meet the forecasted Core and Non-Core demand for the month. In addition, the cost of gas shall include the cost to administer the transportation, purchasing, remarketing, balancing, etc., of ER's natural gas requirements, as well as the cost for any financial transactions implemented to reduce market exposure for the cost of gas.

Overnomination Event: In the event that SoCalGas determines that the transportation nominations received for a specific date of gas flow ("flow date") exceeds its expected system capacity (including storage) on such flow date, SoCalGas shall apply Buy-Back service separately for each flow date that is overnominated as contained in Rule No. 30.

Rate Schedule 5: Shall mean the rate described in Schedule No. 5 of the ER Gas Rate Schedule, as the same may be amended or replaced.

Rate Schedule 7: Shall mean the rate described in Schedule No. 7 of the ER Gas Rate Schedule, as the same may be amended or replaced.

Rate Schedule 9: Shall mean the rate described in Schedule No. 9 of the ER Gas Rate Schedule, as the same may be amended or replaced.

Rule No. 30: Shall mean Rule No. 30 of the SoCalGas Tariff Book, as the same may be amended or replaced.

SoCalGas: Shall mean Southern California Gas Company, a public utility regulated by the CPUC.

Standby Customer: Shall have the meaning given in Section 3(F).

Standby Event: Any gas transportation customer who bypasses ER's service. in whole or in part, by connection to and service from an alternate gas transportation service provider while connected to ER's system, shall be subject to a monthly Standby charge as a Standby Customer, in addition to the charges due under Rate Schedules 5, 7 and 9.

Therm: 100,000 British Thermal Units (BTU).

<u>Undernomination Event</u>: SoCalGas requires ER to deliver specific minimum

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

27

28

daily volumes, depending upon the SoCalGas storage inventory level, during the period from November through March. In the event that ER does not meet the minimum required delivery volume, SoCalGas shall apply the Daily Balancing Standby Rates for each flow date as contained in Rule No. 30.

#### 3. SCOPE.

- A. <u>Transportation/Service Program</u>: ER shall transport Customerowned gas from the point of receipt into the SoCalGas transmission system to the ER distribution system where the gas shall then be transported and delivered to Customer by ER on a daily basis. ER or Agent/Contracted Marketer shall have the right to accept or reject Customer's nominations into the ER system. Any occurrence of Force Majeure shall relieve both parties of their obligation to perform, including payment.
- B. <u>Nomination Procedures</u>: The following nomination procedures shall apply to gas transported and delivered to Customer by ER:
  - i. Gas nominations for flow on the first day of the month, as well as daily gas nominations, must be received in writing via electronic mail or facsimile by ER and Agent/Contracted Marketer no later than 9:00 a.m. Pacific Clock Time, a minimum of one (1) business day prior to the date of flow.
  - ii. Nomination data must be received by ER and Agent/Contracted Marketer in writing to include pertinent information on transportation contracts, receipt points, suppliers and any other information ER deems reasonably necessary as set forth in the attached Addendum A, or revisions and amendments thereto.
  - iii. All determinations by ER or Agent/Contracted Marketer as to allocation points and/or maximum daily quantities related thereto or as to the procedures utilized for any allocation process, when made by ER, shall be final.

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

iv. In the event of an Overnomination Event declared by
SoCalGas, any Customer (i) which is unable or unwilling to reduce its
transportation nomination within the two (2) hour window allotted by
SoCalGas, (ii) whose nominations exceed one hundred ten percent (110%)
of its gas usage, as specified in Rule No. 30, and (iii) whose transported
border volumes were credited to Customer and made whole by ER, shall be
billed by ER the difference between ER's highest priced gas purchased in
said month and the assessed Buy-Back charge credited to ER by SoCalGas.

- In the event of a declared Undernomination Event, as ٧. defined herein, by SoCalGas, any Customer unable or unwilling to nominate and deliver volumes meeting the minimum requirement, as specified in Rule No. 30, shall be assessed a charge based on the rate per therm billed to ER by SoCalGas.
- Curtailment: In the event of curtailment, any Customer unable C. or unwilling to curtail shall be assessed a penalty based on the charges per therm billed to ER by SoCalGas for volumes used by Customer in violation of curtailment.
- D. Minimum Average Volume: All Rate Schedule 5 and 9 customers shall maintain a minimum annual average volume requirement of 250,000 therms of gas to qualify for this Transportation/Service Program. Average volume shall be calculated on a monthly basis and based on a rolling twelve (12) month period.
- E. Under/Over Monthly Deliveries: If Customer's gas purchase deliveries from third parties are over or under Customer's actual consumption in any month, the under/over-delivery shall be resolved as follows:
  - Over-Deliveries- If Customer had over deliveries in any i. month. Customer will be subject to the following restrictions: ER shall permit Customer to carry- over to the following month over-delivery volumes of up to ten percent (10%) of Customer's consumption for the month in which the

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

over-delivery occurred. Any of Customer's volumes carried over will be applied first to the following month's consumption. Any volumes of overdeliveries in excess of ten percent (10%) of Customer's consumption may be purchased by ER, at its sole discretion, by crediting to Customer an amount that is equal to seventy-five percent (75%) of the lowest cost of gas purchased by ER during the month in which the excess imbalance was incurred.

- Under-Deliveries If Customer's deliveries were not ii. sufficient to satisfy Customer's actual gas consumption in any month, Customer shall be subject to the following restrictions: ER shall permit Customer to carry-over to the following month under-delivery volumes of up to five percent (5%) of Customer's consumption for the month in which the under-delivery occurred. Any volumes of under- deliveries up to five percent (5%) of Customer's consumption shall be applied to the following month's consumption. Any volumes of under-deliveries in excess of five percent (5%) of Customer's consumption shall be charged to Customer at one hundred twenty-five percent (125%) of the highest cost of gas purchased by ER during the month the imbalance was incurred, and the applicable transmission charge per therm.
- Reconciliation- The under/over deliveries reconciliation iii. will occur at the end of each month and be incorporated into the Customer's invoice for that monthly period.
- Balancing- Should SoCalGas impose additional stricter iv. balancing provisions upon ER, the stricter provisions will be adopted and implemented by ER, as required by SoCalGas, and thereafter apply to Customer. Customer shall be subject to changed balancing requirements at the time such balancing is imposed by SoCalGas upon ER, irrespective of prior written notice to Customer; however, ER will attempt to provide advance

written notice to Customer. Customer is advised that SoCalGas is considering daily and/or weekly balancing under certain conditions, which conditions are undetermined at present.

- F. <u>Standby Customer Status</u>: In the case of a Standby Event, Customer will be considered to have "Standby Customer" status and Customer shall be subject to a Minimum Monthly Bill Component charge in addition to all other rates, charges, or penalties provided under this Agreement.
  - i. The Minimum Monthly Bill Component shall be determined by multiplying the total monthly gas volume utilized by Customer during the same calendar month of the Base Period by the current Rate Schedule 5, 7 or 9 rate, as applicable. If Customer's current monthly billing period gas consumption volume multiplied by the current Rate Schedule 5, 7 or 9 rate is equal to or greater than the Minimum Monthly Bill Component, then Customer will be excused from the Minimum Monthly Bill Component for that specific month and the resulting Standby charge shall be zero.
  - ii. If Customer's actual gas consumption volume for a given month, multiplied by the current Rate Schedule 5, 7 or 9 rate, as applicable, is less than the Minimum Monthly Bill Component, then Customer's bill will include a Standby charge equal to the difference between the Minimum Monthly Bill Component and the current billing period gas consumption volume multiplied by Customer's current Rate Schedule 5, 7 or 9 rate, as applicable.
  - iii. The Standby charge will remain in place until the Standby Customer notifies ER that the alternate gas transportation service provider's interconnection has been physically and permanently removed and ER inspects and verifies such removal. The Base Period remains the same as long as the Standby charge remains in place.
    - iv. For the purpose of bypass, Customer shall notify ER in

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

writing within twenty-four (24) hours of either: (a) executing a contract with an alternate gas transportation service provider or (b) installing a gas pipeline interconnection with an alternate gas transportation service provider. Both parties acknowledge that time is of the essence because SoCalGas requires ER to deliver certain daily volumes into its system.

- Upon written request by ER, Customer shall within fortyeight (48) hours of receipt of such notice, provide ER access to its facility(ies) in order to physically inspect and/or verify the existence or removal of any non-ER operated gas pipeline interconnections.
- If Customer attains "Standby Customer" status on any vi. day other than the first day of the month, the standby charge due under this Section 3(F) will nevertheless be charged as though Customer was a "Standby Customer" for the entire calendar month.
- Liability: Customer shall be liable for any damages, obligations G. to third parties, fees, charges, surcharges, taxes or costs incurred by ER as a result of transportation service under this Agreement, except claims arising out of gross negligence by ER. All production, severance, excise, ad valorem and any other similar taxes imposed or levied by city, state or any governmental agency on the gas transported for Customer shall be paid by Customer. Customer shall indemnify, defend and hold ER harmless from any liability against all taxes, damages, claims of third parties, fees or charges, or any and all other claims except as stated above.
- In the alternative to Н. Commodity Procurement Option: paragraphs A, Band E of Section 3, Customer may, at any time during the term of this Agreement, elect to purchase gas from ER for all of its gas requirements under the applicable ER Rate Schedules by providing advance written notification to ER of its election. If Customer makes such an election, Customer must purchase all of its gas commodity from ER for a minimum of one (1) year from the date it purchases gas from ER. The price will be established by reference to the current applicable ER

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

Rate Schedule. Customer shall be responsible for payment of all taxes, surcharges and/or penalties.

#### FINANCIAL OBLIGATION. 4.

- Each month on or before the Customer Billing Account: Α. twentieth (20th) day of the month, ER shall send Customer an invoice for the net charges payable hereunder for the preceding month. Such charges shall be based upon this Agreement and the appropriate prevailing ER Rate Schedule and current ER Fees and Charges Schedule in effect at the time of billing. All net charges for gas delivered to Customer shall be billed to Customer at the address designated in Section 9.
- Payment: Customer payments must be received no later than B. 15 days from the statement date on the invoice. Failure to timely pay may result in immediate termination of gas service to Customer. Customer shall be charged a late charge on any delinquent or unpaid balance according to the then-current applicable Long Beach Municipal Code, ordinances and/or resolutions.
- Gas Users Tax: Customer shall pay the tax imposed under the C. Long Beach Municipal Code Section 3.68.040, as amended, based upon the total cost, which includes but is not limited to, the Imputed Value of the Commodity, transportation services, surcharges, tariffs, under/over-delivery charges, Standby charges and all other charges and penalties. This tax. shall be billed and paid with the monthly invoice in Section 4(A).
- Adjustments: All gas quantities transported and/or delivered to D. ER under this Agreement shall be billed based on the best information available from SoCalGas at the time of billing as determined by ER, but shall be subject to adjustment based on subsequent adjustments, imbalances, under/over-deliveries, CPUC regulatory decisions or other reconciliations of differences as incurred by ER on behalf of the Customer.
  - Deposits: At the beginning or at any time during the term of this E.

Agreement or any extension thereof, ER may require Customer, as a condition of continued gas service, to pay a deposit equivalent to two (2) times Customer's estimated average monthly billing as a transport customer. The deposit shall be paid in advance of delivery of gas service under this Agreement and as condition precedent to the effectiveness of this Agreement, unless otherwise agreed in writing by ER. The deposit may be paid in cash, by a certificate of deposit or a letter of credit from a bank acceptable to ER.

- F. <u>Electronic Meter-Reading</u>: Customer shall pay for the cost of electronic meter-reading equipment and the installation of and monthly service charges associated with such equipment installed on Customer's premises as a condition of service under this Agreement. If electronic meter-reading equipment exists on Customer's premises as of the date of Customer's execution of this Agreement, then Customer shall pay for the monthly service charges and other costs associated with such equipment.
- G. <u>Technical Support Fee</u>: Customer shall pay for each service visit made by ER software support technicians pursuant to the current ER Fees and Charges Schedule. Notwithstanding the foregoing, Customer shall not be obligated to pay any fees in connection with the initial software installation and training visit.

#### 5. RELATED OBLIGATIONS.

A. <u>Title/Indemnity</u>: Customer warrants title to all gas delivered to ER on behalf of Customer, except gas purchased pursuant to Section 3(H). Customer shall indemnify and hold harmless ER and SoCalGas from and against any and all claims, actions, liabilities, taxes, royalties, liens, charges, damages or costs (including reasonable attorneys' fees for in-house or outside counsel) related to gas delivered or failed to be delivered to the allocation points which have been nominated and confirmed with ER and SoCalGas hereunder, except for claims arising out of the gross negligence of ER or SoCalGas. The foregoing sentence does not apply to gas purchased by Customer pursuant to Section 3(H) except as it

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

relates to payment for the commodity, taxes, charges and related services, and the payment of attorneys' fees for collection actions.

- Replacement of Gas: ER shall have no obligation to notify B. Customer or to replace or substitute for Customer any quantities of gas not delivered to SoCalGas or accepted by SoCalGas in connection with this Agreement, except gas purchased pursuant to Section 3(H).
- Assignment of Rights and Obligations: The rights and C. obligations under this Agreement shall not be assigned by either party without the prior written consent of the other party, which consent may be withheld at the sole discretion of ER.
- Failure of Third Parties: Customer shall pay any costs incurred D. by ER because of any failure by third parties, acting as agents for Customer, to perform their obligations related to this Agreement (including reasonable attorneys' fees whether for in-house or outside counsel).
- E. Third Party Penalties, Taxes and Fees: Any and all penalties, taxes or other related or similar charges or fees incurred by ER or SoCalGas under an interstate or intrastate supplier contract as a result of this Agreement and accommodating transportation service shall be paid by the Customer.
- Regulatory Action: This Agreement, rates and conditions are F. subject to revision and modification as a result of legislative or regulatory action, including CPUC and/or Federal Energy Regulatory Commission (FERC) proceedings and orders, including without limitation the proposed Firm Receipt Point Rights and Off-System Delivery Service.
- Indemnity: Customer agrees to indemnify, defend and hold G. harmless ER, its officers, agents and employees against any loss, damage, injury, liability and expense arising out of any loss, damage, injury, claim, action, cause of action or suit brought by any person, association or entity arising out of or on account of this Agreement, except claims arising from the gross negligence of ER.

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

	H.	Third Party Charges:	Under no circumstar	nces shall ER be
liable to any	third-p	arty producer, marketer	, broker or other supp	olier of gas under
this Agreeme	ent for a	any portion of the purcha	se price, including bu	t not limited to the
gas commod	dity, tra	nsportation, tariffs, taxe	s, fees and surcharge	es. The Customer
shall be sole	ly respo	onsible for payments to tl	ne such third parties, e	xcept as provided
in Section 3(	H).			

- Except as provided herein, neither party shall be 6. DAMAGES. assessed any special, punitive, consequential, incidental or indirect damages, whether in contract or tort, for any actions or inactions related to this Agreement or the delivery or nondelivery of gas, curtailment or transportation thereof.
- Customer desires a third party to act on its behalf as 7. AGENT. Customer's agent ("Agent"), on and after the date hereof, until revoked by written notice from Customer received by ER. Agent shall have full authority to act for and bind Customer fully under this Agreement, and ER shall be authorized to rely thereon at all times in dealing with the following Agent:

Agent's Name: Nelson Zager

Address: Foasberg Laundry and Dry Cleaning

640 E. Wardlow Road

Long Beach, CA 90807

Telephone: (562) 426-7345 (plant)

Telephone: (310) 292-4037 (cell)

Fax No.: (562) 595-9693

nelsonzager@foasberg.com E-mail Address:

PERSON TO CONTACT AT CUSTOMER'S METER LOCATION 8. REGARDING OPERATION SERVICE OR TRANSPORTATION. Customer desires the following named person to be contacted for inquiries from ER regarding service and transportation of gas or other operational matters (not related to Notice or Billing):

Meter Address:	Same as Above

Customers having more than one City gas transport account must complete the attached Exhibit "B" listing all other gas transport accounts (meters). For billing purposes, the account listed above shall be considered the "balancing" account.

NOTICE. Any notice, request, demand or statement provided for in 9. this Agreement shall be in writing and shall be sent to the parties hereto at the following addresses, and shall be effective upon receipt:

Customer:		Energy Resources Dept:
		City of Long Beach
Address:	Foasberg Laundry and Dry Cleaning	2400 E. Spring Street
	640 E. Wardlow Road	Long Beach, CA 90806-2285
	Long Beach, CA 90807	Attn: Energy Service
Telephone:	(562) 426-7345 (plant)	Telephone: (562) 570-2063
Telephone:	(310) 292-4037 (cell)	Fax No.: (562) 499-1088
Fax No.:	(562) 595-9693	Email: Dennis.Burke@longbeach.gov
E-mail Address: nelsonzager@foasberg.com		
Billing (if diff	erent from above, state if "same")	Energy Resources Dept:
Customer:		City of Long Beach
Same as Ab	ove	2400 E. Spring Street
		Long Beach, CA 90806-2285
		Attn: Energy Service
		Telephone: (562) 570-2063
		Fax No.: (562) 499-1088
		Email: Dennis.Burke@longbeach.gov

2

3

4

5

6

7

8

9

26

27

28

Operations and Nominations Contact:	Energy Resources Dept:
Customer:	City of Long Beach
Same as Above	2400 E. Spring Street
	Long Beach, CA 90806-2285
	Attn: Energy Service
	Telephone: (562) 570-2063
	Fax No.: (562) 499-1088
	Email: Dennis.Burke@longbeach.gov
Mailing address for correspondence (if different from above):	
Same as Above	
.1	

- 10. JURISDICTION. This Agreement shall be governed and construed in accordance with the laws of the State of California.
- CAPTIONS AND ORGANIZATION. The various headings and 11. numbers herein and the groupings of the provisions of this Agreement are for the purpose of convenience only and shall not be considered a part hereof, and shall have no effect on the construction or interpretation of any part of this Agreement.
- 12. NON-DISCRIMINATION CLAUSE. In the performance of this Agreement, Customer shall not discriminate against any person on the basis of race, color, religion, national origin, gender, sexual orientation, AIDS, AIDS-related condition, age, marital status, disability or handicap. Customer shall be in compliance with all applicable provisions of the Americans with Disabilities Act of 1990 (ADA). Compliance with the ADA shall be the sole and complete responsibility of Customer and Customer shall defend and hold ER harmless from any expense or liability arising from Customer's non-compliance therewith.
- 13. ENTIRE AGREEMENT. This Agreement sets forth the entire understanding of the parties and supersedes any prior understandings or discussions (whether written or oral) and incorporated herein by reference all Long Beach Municipal

Agreement shall only be amended by an	instrument in writing properly executed by both		
parties or as superseded by changes	in the City of Long Beach Municipal Code,		
resolutions, ordinances or other applicable rules and regulations.			
IN WITNESS WHEREOF, the parties have caused this document to be duly			
executed with all formalities required by la	w as of the date first stated above.  CHAI FIVE LAUNDRY SERVICES LLC  DBA FOASBERG LAUNDRY &  CLEANERS, INC., a California limited  liability company		
Jude 4 , 2019	By NE/SON ZAGE Name NE/SON ZAGE Title MANAGER		
<u>6/27</u> , 2019	Name		
6/27, 2019	"Customer"  CITY OF LONG BEACH, a municipal corporation  By City Manager		
"City"  This Agreement is approved as to form on			
	CHARLES PARKIN, City Attorney  By Deputy		

Codes, ordinances and resolutions existing or as amended from time to time. This