

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



December 16, 2010

**Advice Letter 4134**

Rasha Prince, Director  
Regulatory Affairs  
Southern California Gas  
555 W. Fifth Street, GT14D6  
Los Angeles, CA 90013-1011

**Subject: 1% Franchise Surcharge for Gas Customers within the City of  
Huntington Beach**

Dear Ms. Prince:

Advice Letter 4134 is effective December 2, 2010 per Resolution G-3452.

Sincerely,

A handwritten signature in blue ink that reads "Julie A. Fitch".

Julie A. Fitch, Director  
Energy Division



**Rasha Prince**  
Director  
Regulatory Affairs

555 W. Fifth Street, GT14D6  
Los Angeles, CA 90013-1011  
Tel: 213.244.5141  
Fax: 213.244.4957  
*RPrince@semprautilities.com*

July 7, 2010

Advice No. 4134  
(U 904 G)

Public Utilities Commission of the State of California

**Subject: 1% Franchise Surcharge for Gas Customers within the City of Huntington Beach**

Southern California Gas Company (SoCalGas) hereby requests approval to add a 1% surcharge on the bills of customers in the City of Huntington Beach, (Huntington Beach or City), a charter city, pursuant to a new franchise agreement ("Franchise Agreement"). SoCalGas believes that a surcharge on Huntington Beach customers is the most objective way to cover the franchise fee differential imposed by the City without unduly burdening other ratepayers in the SoCalGas system.

A sample of the revised bill format(s) is attached as Attachment B to this advice letter.

**Purpose**

The purpose of this advice letter is to gain Commission approval to apply a franchise fee surcharge to the bills of SoCalGas customers in Huntington Beach as provided in the Franchise Agreement that specifies the terms and conditions of the franchise approved by the City Council of Huntington Beach on May 17, 2010 by Ordinance No. 3880 (Attachment C). Under the terms of the Franchise Agreement, in order for SoCalGas to bill and collect the franchise surcharge, SoCalGas must obtain the Commission's approval.

Commission Decision (D.) 89-05-063, issued May 26, 1989,<sup>1</sup> established the procedure for filing an advice letter where the local governmental entity requires the public utility to collect franchise fees exceeding the average franchise fees within the utility's service territory. SoCalGas makes this filing pursuant to D.89-05-063.

**Background**

In 1937, the California State Legislature passed "The Franchise Act of 1937" (the Act). Among other subjects, the Act established a formula whereby a utility would pay a fee to a

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<sup>1</sup> Investigation 84-05-002, Guidelines for the Equitable Treatment of Revenue-Producing Mechanisms Imposed by Local Governmental Entities on Public Utilities.

general law municipality for the right to use the public streets and rights-of-way in the municipality. The Act sets out that, for gas franchises, municipalities will be compensated through a formula whereby they will receive two percent (2%) of gross annual receipts derived from the use, operation or possession of the franchise (also known as the Broughton Act formula), or a minimum of one percent (1%) of gross annual receipts from the sale, transmission, or distribution of gas within the limits of the municipality (otherwise known as the "2%/1%" formula).

The compensation options applicable to general law municipalities under state law (California Public Utilities Code Section 6231) are either the 2%/1% formula or the Broughton Act formula. Of the 235 cities and counties with which SoCalGas has franchise agreements, 173 are general law municipalities and, barring a change in state law, will be paid under the 2%/1% formula or Broughton Act formula. Charter cities such as Huntington Beach are not limited to this formula by statute.

In its previous franchise agreement with SoCalGas, the City received a franchise rate of 2% of gross annual receipts from the sale, transmission, or distribution of gas within the City (a 2%/2% formula) and "in lieu" fees of 1.5% of the imputed value of non-proprietary gas. This higher-than-statutory amount was the result of the settlement of a legal dispute arising from the merger with Southern Counties Gas Company. In negotiations for a new franchise, Huntington Beach officials proposed to retain a fee from the expiring franchise that had been held by SoCalGas that was higher than the statutory 2%/1% formula under the Act. Huntington Beach officials argued that, because it is a charter city, it should be able to retain its 2%/2% formula.

In order to mitigate the rate impact on other customers, SoCalGas accepted a grant of franchise offered by Huntington Beach that contained a franchise calculation whereby, if authorized by the Commission, SoCalGas would pay the higher franchise fees to Huntington Beach but would collect the portion of the franchise fee greater than the statutory amount by placing a 1% line-item franchise fee surcharge on bills to customers located within Huntington Beach.

In D.89-05-063, the Commission addressed the issue of costs imposed on public utilities by local government's revenue producing mechanisms and the appropriate ratemaking treatment for increases in franchise fees. The Commission recognized that where franchise fees attributable to one city were substantially above the average franchise fees within the service territory of the utility, requiring all customers to pay the city's higher-than-average costs in rates would mean that some customers would be subsidizing other customers, but not themselves receiving any benefits from increased taxes and fees. The Commission stated:

"It is not just or reasonable that the significantly higher levels derived from some entities only should be buried in basic rates applicable to all ratepayers of the utility. Averaging such costs among all ratepayers creates inequities between classes of ratepayers. It is appropriate and reasonable that these significantly higher costs should be identified and borne only by the ratepayers in the local governmental area that originated them." (D.89-05-063 at 24.)

The Commission has recently approved, pursuant to D.89-05-063, gas and electric franchise fee surcharges for other utilities. See PG&E's AL 3110-G/3651-E filed

April 5, 2010, effective May 5, 2010, authorizing PG&E to bill and collect a 0.3% gas and electric franchise fee surcharge on customers in the City of San Jose; and PG&E's AL 2980-G/3380-E filed December 18, 2008, effective January 21, 2009, authorizing PG&E to bill and collect a 1% gas and electric franchise fee surcharge on customers within the City of Bakersfield. Also, please see Southern California Edison's AL 1881-E filed March 30, 2005, effective May 9, 2005, authorizing SCE to bill and collect a 1% electric franchise fee surcharge on electric customers in the City of Santa Barbara. In D.07-10-024, the Commission granted SoCalGas authorization to bill and collect a 1% gas franchise surcharge on gas customers in the City of Ventura.

In accordance with D.89-05-063 and Section 3 of the Franchise Agreement with the City of Huntington Beach, which provides for the surcharge, SoCalGas shall collect, with the Commission's approval, an additional one percent (1%) as a surcharge on customers in Huntington Beach. Such franchise fee surcharge shall be so indicated and added as a separate line item to bills rendered to Huntington Beach customers. The percentage will be the same for all classes of gas customers located within the City.

The average monthly bill estimates are based on gas revenues for the year of 2009 by SoCalGas customers located in Huntington Beach. The proposed fee would result in an average increase of \$0.37 per month for residential customers and an average of \$0.50 per month across all customer classes. This will result in an estimated \$400,000 being collected during the full year of application, using 2009's usage and 2010 rates. Column C, in the table below, shows the monthly bill impact, by customer class, resulting from this Advice Letter (see Attachment B for an example of each bill).

Upon approval of this Advice Letter, the G-MSUR rate for Huntington Beach shall be updated in a separate advice letter to be filed.

<b>Customer Class (A)</b>	<b># Customers (B)</b>	<b>Class Average Bill Impact \$/month (C)</b>
<b>Core Service:</b>		
Residential	65,136	\$0.37
Core Commercial & Industrial	2,142	\$3.07
Gas Engine	6	\$7.08
Natural Gas Vehicle	2	\$68.82
<b>NonCore Service:</b>		
NonCore C&I-Distribution Level Service	2	\$62.94
Electric Generation - Distribution Level Service	2	\$10.78
Electric Generation - Transmission Level Service	2	\$1,153.71
	<b>67,292</b>	<b>\$0.50</b>

Notes:

Bill Impact based on actual monthly volumes in 2009 by class, for customers located in Huntington Beach City.  
Commodity and Transportation rates are those in effect in June, 2010.

SoCalGas shall implement the gas franchise surcharge as soon as possible after Commission approval. The City of Huntington Beach supports this advice filing.

**Protest**

Anyone may protest this Advice Letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received within 20 days of the date of this Advice Letter which is July 27, 2010. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of both Maria Salinas ([mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov)) and Honesto Gatchalian ([jnj@cpuc.ca.gov](mailto:jnj@cpuc.ca.gov)) of the Energy Division. A copy of the protest should also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Sid Newsom  
Tariff Manager - GT14D6  
555 West Fifth Street  
Los Angeles, CA 90013-1011  
Facsimile No. (213) 244-4957  
E-mail: [snewsom@SempraUtilities.com](mailto:snewsom@SempraUtilities.com)

Attn: Tanya Peacock  
Regulatory Case Manager – GT14D6  
555 West Fifth Street  
Los Angeles, CA 90013-1011  
Facsimile No. (213) 244-4957  
E-Mail: [tpeacock@semprautilities.com](mailto:tpeacock@semprautilities.com)

**Effective Date**

SoCalGas believes that this filing is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to GO 96-B. SoCalGas respectfully requests that this filing be approved on August 6, 2010, which is 30 calendar days from the date filed.

**Notice**

A copy of this advice letter is being sent to the parties listed on Attachment A.

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Rasha Prince  
Director, Regulatory Affairs

Attachments:

Attachment A – Service List

Attachment B – Representative SoCalGas Bills

Attachment C – City of Huntington Beach Gas Franchise Agreement

cc: Mayor Cathy Green (cgreen@surfcity-hb.org)  
Mayor Pro Tem Jill Hardy (jhardy@surfcity-hb.org)  
Councilmembers  
Keith Bohr (keithbohr@aol.com)  
Joe Carchio (jcarchio@surfcity-hb.org)  
Devin Dwyer (j.devindwyer@verizon.net)  
Gil Coerper (gcoerper@surfcity-hb.org)  
Don Hansen (donfh@balboacapital.com)  
City Administrator - Fred Wilson (fred.wilson@surfcity-hb.org)  
Deputy City Administrator - Paul Emery (pemery@surfcity-hb.org)  
City Attorney - Jennifer McGrath (jmcgrath@surfcity-hb.org)  
Finance Director - Bob Wingenroth (Bob.Wingenroth@surfcity-hb.org)

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SOUTHERN CALIFORNIA GAS COMPANY (U 904G)**

Utility type:

ELC      GAS  
 PLC      HEAT      WATER

Contact Person: Sid Newsom

Phone #: (213) 244-2846

E-mail: SNewsom@semprautilities.com

### EXPLANATION OF UTILITY TYPE

ELC = Electric     GAS = Gas  
PLC = Pipeline     HEAT = Heat     WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 4134

Subject of AL: 1% Franchise Surcharge for Gas Customers within the City of Huntington Beach

Keywords (choose from CPUC listing): Agreements; City; Surcharges

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL No

Summarize differences between the AL and the prior withdrawn or rejected AL<sup>1</sup>: N/A

Does AL request confidential treatment? If so, provide explanation: No

Resolution Required?  Yes  No

Tier Designation:  1  2  3

Requested effective date: 8/6/10

No. of tariff sheets: 0

Estimated system annual revenue effect (%): \_\_\_\_\_

Estimated system average rate effect (%): \_\_\_\_\_

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: None

Service affected and changes proposed<sup>1</sup>: \_\_\_\_\_

Pending advice letters that revise the same tariff sheets: None

**Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:**

**CPUC, Energy Division**

**Attention: Tariff Unit**

**505 Van Ness Ave.,**

**San Francisco, CA 94102**

**mas@cpuc.ca.gov and jnj@cpuc.ca.gov**

**Southern California Gas Company**

**Attention: Sid Newsom**

**555 West 5<sup>th</sup> Street, GT14D6**

**Los Angeles, CA 90013-1011**

**SNewsom@semprautilities.com**

<sup>1</sup> Discuss in AL if more space is needed.

**ATTACHMENT A**

**Advice No. 4134**

**(See Attached Service List)**



Alcantar & Kahl  
Kari Harteloo  
klc@a-klaw.com

Alcantar & Kahl  
Seema Srinivasan  
sls@a-klaw.com

Alcantar & Kahl LLP  
Annie Stange  
sas@a-klaw.com

Alcantar & Kahl, LLP  
Mike Cade  
wmc@a-klaw.com

Barkovich & Yap  
Catherine E. Yap  
ceyap@earthlink.net

Beta Consulting  
John Burkholder  
burkee@cts.com

CPUC  
Consumer Affairs Branch  
505 Van Ness Ave., #2003  
San Francisco, CA 94102

CPUC  
Energy Rate Design & Econ.  
505 Van Ness Ave., Rm. 4002  
San Francisco, CA 94102

CPUC  
Pearlie Sabino  
pzs@cpuc.ca.gov

CPUC - DRA  
Jacqueline Greig  
jnm@cpuc.ca.gov

CPUC - DRA  
Galen Dunham  
gsd@cpuc.ca.gov

CPUC - DRA  
R. Mark Pocta  
rmp@cpuc.ca.gov

California Energy Commission  
Randy Roesser  
rroesser@energy.state.ca.us

California Energy Market  
Lulu Weinzimer  
luluw@newsdata.com

Calpine Corp  
Avis Clark  
aclark@calpine.com

City of Azusa  
Light & Power Dept.  
215 E. Foothill Blvd.  
Azusa, CA 91702

City of Banning  
Paul Toor  
P. O. Box 998  
Banning, CA 92220

City of Burbank  
Fred Fletcher/Ronald Davis  
164 West Magnolia Blvd., Box 631  
Burbank, CA 91503-0631

City of Colton  
Thomas K. Clarke  
650 N. La Cadena Drive  
Colton, CA 92324

City of Long Beach, Gas & Oil Dept.  
Chris Garner  
2400 East Spring Street  
Long Beach, CA 90806

City of Los Angeles  
City Attorney  
200 North Main Street, 800  
Los Angeles, CA 90012

City of Pasadena - Water and Power  
Dept.  
G Bawa  
GBawa@cityofpasadena.net

City of Riverside  
Joanne Snowden  
jsnowden@riversideca.gov

City of Vernon  
Dan Bergmann  
dan@igservice.com

Commerce Energy  
Catherine Sullivan  
csullivan@commerceenergy.com

Commerce Energy  
Blake Lazusso  
blasuzzo@commerceenergy.com

County of Los Angeles  
Stephen Crouch  
1100 N. Eastern Ave., Room 300  
Los Angeles, CA 90063

Crossborder Energy  
Tom Beach  
tomb@crossborderenergy.com

Culver City Utilities  
Heustace Lewis  
Heustace.Lewis@culvercity.org

DGS  
Henry Nanjo  
Henry.Nanjo@dgs.ca.gov

Davis Wright Tremaine, LLP  
Edward W. O'Neill  
505 Montgomery Street, Ste 800  
San Francisco, CA 94111

Davis, Wright, Tremaine  
Judy Pau  
judypau@dwt.com

Dept. of General Services  
Celia Torres  
celia.torres@dgs.ca.gov

Douglass & Liddell  
 Dan Douglass  
 douglass@energyattorney.com

Douglass & Liddell  
 Donald C. Liddell  
 liddell@energyattorney.com

Downey, Brand, Seymour & Rohwer  
 Dan Carroll  
 dcarroll@downeybrand.com

Dynegy  
 Mark Mickelson  
 Mark.Mickelson@dynegy.com

Dynegy - West Generation  
 Joseph M. Paul  
 Joe.Paul@dynegy.com

Gas Transmission Northwest  
 Corporation  
 Bevin Hong  
 Bevin\_Hong@transcanada.com

General Services Administration  
 Facilities Management (9PM-FT)  
 450 Golden Gate Ave.  
 San Francisco, CA 94102-3611

Goodin, MacBride, Squeri, Ritchie &  
 Day, LLP  
 J. H. Patrick  
 hpatrick@gmssr.com

Goodin, MacBride, Squeri, Ritchie &  
 Day, LLP  
 James D. Squeri  
 jsqueri@gmssr.com

Hanna & Morton  
 Norman A. Pedersen, Esq.  
 npedersen@hanmor.com

Imperial Irrigation District  
 K. S. Noller  
 P. O. Box 937  
 Imperial, CA 92251

JBS Energy  
 Jeff Nahigian  
 jeff@jbsenergy.com

Kern River Gas Transmission Company  
 Janie Nielsen  
 Janie.Nielsen@KernRiverGas.com

LA County Metro  
 Julie Close  
 closeJ@metro.net

LADWP  
 Robert Pettinato  
 Robert.Pettinato@ladwp.com

LADWP  
 Nevenka Ubavich  
 nevenka.ubavich@ladwp.com

Law Offices of William H. Booth  
 William Booth  
 wbooth@booth-law.com

Megan Lawson  
 MEHR@PGE.COM

Luce, Forward, Hamilton & Scripps  
 John Leslie  
 jleslie@luce.com

MRW & Associates  
 Robert Weisenmiller  
 mrw@mrwassoc.com

Manatt Phelps Phillips  
 Randy Keen  
 rkeen@manatt.com

Manatt, Phelps & Phillips, LLP  
 David Huard  
 dhuard@manatt.com

March Joint Powers Authority  
 Lori Stone  
 23555 Meyer Drive,  
 March Air Reserve Base, CA 92518-  
 2038

Julie Morris  
 Julie.Morris@PPMEnergy.com

National Utility Service, Inc.  
 Jim Boyle  
 One Maynard Drive, P. O. Box 712  
 Park Ridge, NJ 07656-0712

Navigant Consulting, Inc.  
 Ray Welch  
 ray.welch@navigantconsulting.com

PG&E Tariffs  
 Pacific Gas and Electric  
 PGETariffs@pge.com

Praxair Inc  
 Rick Noger  
 rick\_noger@praxair.com

Regulatory & Cogen Services, Inc.  
 Donald W. Schoenbeck  
 900 Washington Street, #780  
 Vancouver, WA 98660

Safeway, Inc  
 Cathy Ikeuchi  
 cathy.ikeuchi@safeway.com

Sierra Pacific Company  
Christopher A. Hilien  
chilen@sppc.com

Southern California Edison Co  
Fileroom Supervisor  
2244 Walnut Grove Av, 290, GO1  
Rosemead, CA 91770

Southern California Edison Co  
Karyn Gansecki  
601 Van Ness Ave., #2040  
San Francisco, CA 94102

Southern California Edison Co.  
Kevin Cini  
Kevin.Cini@SCE.com

Southern California Edison Co.  
Colin E. Cushnie  
Colin.Cushnie@SCE.com

Southern California Edison Co.  
John Quinlan  
john.quinlan@sce.com

Southern California Edison Company  
Michael Alexander  
Michael.Alexander@sce.com

Southwest Gas Corp.  
John Hester  
P. O. Box 98510  
Las Vegas, NV 89193-8510

Suburban Water System  
Bob Kelly  
1211 E. Center Court Drive  
Covina, CA 91724

Sutherland, Asbill & Brennan  
Keith McCrea  
kmccrea@sablaw.com

TURN  
Mike Florio  
mflorio@turn.org

TURN  
Marcel Hawiger  
marcel@turn.org

The Mehle Law Firm PLLC  
Colette B. Mehle  
cmehle@mehlelaw.com

Western Manufactured Housing  
Communities Assoc.  
Sheila Day  
sheila@wma.org

## **ATTACHMENT B**

**Advice No. 4134**

### **Sample Bill Formats for:**

- 1. Residential**
- 2. Core Commercial and Industrial**
- 3. Gas Engine**
- 4. Natural Gas Vehicle**
- 5. Noncore Commercial and Industrial (Distribution Level Service)**
- 6. Small Electric Generation (Distribution Level Service)**
- 7. Large Electric Generation (Transmission Level Service)**

Your Account Number

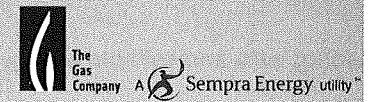
999 999 9999 8

JOHN Q PUBLIC  
1801 TEST ST  
HUNTINGTN BCH CA 92647-3802

More phone numbers  
and info on back of bill

24-Hour Service and Information:

(800) 427-2200 (English)  
(800) 342-4545 (Español)



P.O. Box C  
Monterey Park, CA 91756  
www.socalgas.com

Date Mailed		June 30, 2010						
Rate	Climate Zone	The Gas Company's Gas Commodity Charges per therm						
GR	1	\$4.1577/Therm						
Billing Period	Meter	Readings	Diff.	Pres.	BTU			
From To	Number	Prev	Pres	=CCF x	Factor	x	Factor= Therms	
05/31/10 06/30/10	12050711	2959	2996	37		x	1.063 = 39	

Summary of Charges

					Amount
Customer Charge	30 Days	x	0.16438=		4.93
Baseline	32 Therms	x	0.72617=		23.24
Over Baseline	7 Therms	x	0.96617=		6.76
<b>Gas Charges</b>					<b>34.93</b>
State Regulatory Fee	39 Therms	x	0.00068=		0.03
Public Purpose Surcharge	39 Therms	x	0.07269=		2.83
Local Franchise Fee Surcharge			1 %		0.35
HUNTINGTON BEACH City Users Tax			5 %		1.91
<b>Taxes &amp; Fees on Gas Charges</b>					<b>5.12</b>
<b>Total Gas Charges Including Taxes &amp; Fees</b>					<b>40.05</b>

Huntington BCH Franchise Fee

Total Current Charges 40.05

**Total Amount Due 40.05**

Current Amount Past Due if not paid by Jul 19, 2010

Energy Comparison	This Year Days	Therms	Daily Average	Last Year Days	Therms	Daily Average
Jun	30	39	1.30	30	32	1.07
May	29	45	1.55	29	58	2.00
Apr	32	87	2.72	32	98	3.06

Date Mailed  
June 30, 2010

Please bring entire bill if payment is made in person or return stub with your payment by mail

**Total Amount Due  
\$40.05**

The Gas Company  
PO Box C  
Mont Pk CA 91756

JOHN Q PUBLIC

C/O JANE Q PUBLIC  
1801 TEST ST  
HUNTINGTN BCH CA 92647-3802

Your Account Number  
999 999 9999 8

Your Account Number

999 999 9999 8

JOHN Q PUBLIC  
1801 TEST ST  
HUNTINGTN BCH CA 92647-3802

More phone numbers  
and info on back of bill

24-Hour Service and Information:

(800) 427-2000 (English)



P.O. Box C  
Monterey Park, CA 91756  
www.socalgas.com

Date Mailed		June 30, 2010	
Rate		The Gas Company's Gas Commodity Charges per therm	
GN-10		\$4.1577/Therm	
Billing Period	Meter	Readings	Diff.
From To	Number	Prev	Pres
05/31/10 06/30/10	12050711	2959	3257
			=CCF x
			298
			Pres. Factor
			x
			BTU
			x Factor=
			x 1.063 =
			Therms
			317

Summary of Charges

				Amount
Customer Charge	30 Days	x	0.49315=	14.79
Commodity Tier 1	317 Therms	x	0.93064=	232.66
Commodity Tier 2	0 Therms	x	0.67193=	45.02
<b>Gas Charges</b>				<b>292.47</b>
State Regulatory Fee	317 Therms	x	0.00068=	0.22
Public Purpose Surcharge	317 Therms	x	0.06380=	20.22
Local Franchise Fee Surcharge			1 %	2.93
HUNTINGTON BEACH City Users Tax			5 %	15.79
<b>Taxes &amp; Fees on Gas Charges</b>				<b>39.16</b>
<b>Total Gas Charges Including Taxes &amp; Fees</b>				<b>331.63</b>

Huntington BCH Franchise Fee

Total Current Charges	331.63
<b>Total Amount Due</b>	<b>331.63</b>

Current Amount Past Due if not paid by Jul 19,2010

Energy Comparison	This Year Days	Therms	Daily Average	Last Year Days	Therms	Daily Average
Jun	30	331	11.03	30	305	10.17
May	29	318	10.97	29	331	11.41
Apr	32	393	12.28	32	380	11.88

Date Mailed Jun 21, 2010 Please bring entire bill if payment is made in person or return stub with your payment by mail

Total Amount Due \$331.63

The Gas Company  
PO Box C  
Mont Pk CA 91756

JOHN Q PUBLIC  
C/O JANE Q PUBLIC  
1801 TEST ST  
HUNTINGTN BCH CA 92647-3802

Your Account Number  
999 999 9999 8

Your Account Number

999 999 9999 8

JOHN Q PUBLIC  
1801 TEST ST  
HUNTINGTN BCH CA 92647-3802

More phone numbers  
and info on back of bill

24-Hour Service and Information:

(800) 427-2000 (English)



P.O. Box C  
Monterey Park, CA 91756  
www.socalgas.com

Date Mailed		June 30, 2010	
Rate		The Gas Company's Gas Commodity Charges per therm	
G-EN		\$ .41577/Therm	
Billing Period	Meter	Readings	Diff.
From To	Number	Prev Pres	=CCF x Pres. Factor
05/31/10 06/30/10	12050711	2959 4204	1245
			x BTU Factor=
			x 1.063 =
			Therms
			1323

Summary of Charges

				Amount
Customer Charge				50.00
Commodity Charge	1323 Therms	x	0.47144=	623.72
<b>Gas Charges</b>				<b>673.72</b>
State Regulatory Fee	1323 Therms	x	0.00068=	0.90
Public Purpose Surcharge	1323 Therms	x	0.05965=	78.92
Local Franchise Fee Surcharge			1 %	6.75
HUNTINGTON BEACH City Users Tax			5 %	38.01
<b>Taxes &amp; Fees on Gas Charges</b>				<b>124.58</b>
<b>Total Gas Charges Including Taxes &amp; Fees</b>				<b>798.30</b>

Huntington BCH Franchise Fee

Total Current Charges 798.30

**Total Amount Due 798.30**

Current Amount Past Due if not paid by Jul 19,2010

Energy Comparison	This Year Days	Therms	Daily Average	Last Year Days	Therms	Daily Average
Jun	30	1323	44.10	30	1397	46.57
May	29	1209	41.69	29	1151	39.69
Apr	32	1481	46.28	32	1403	43.84

Date Mailed Jun 21, 2010 Please bring entire bill if payment is made in person or return stub with your payment by mail

**Total Amount Due \$798.30**

The Gas Company  
PO Box C  
Mont Pk CA 91756

JOHN Q PUBLIC  
C/O JANE Q PUBLIC  
1801 TEST ST  
HUNTINGTN BCH CA 92647-3802

Your Account Number  
999 999 9999 8

**NATURAL GAS VEHICLE FUEL BILL**

NGV - Sample Franchise Fee  
 123 N Main St  
 Huntington Beach, CA 92647

**SO. CAL. GAS CO.**  
**P.O. BOX C**  
**MONT. PK., CA 91756**

<b>PLEASE PAY THIS AMOUNT</b>	<b>\$7,317.06</b>
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80 9999999999 00752474 63      9999999999 0075247463

<b>Customer Name</b>	NGV - Sample Franchise Fee		
<b>Service Address</b>	123 Main St NGV Huntingtn Bch CA 92647		
<b>Account Number</b>	999-999-9999 6		
<b>Old Account Number</b>	18-8888-888-888-8		
<b>Billing Period:</b>	<b>From</b>	<b>To</b>	<b>Therms Used</b>
	06/01/2010	07/01/2010	13,426

**SUMMARY OF TRANSPORTATION AND RELATED CHARGES:**

NATURAL GAS VEHICLE FUEL BILL

Description Of Charges	Amount
Customer Charge	13.00
Commodity Charge	6,532.15
State Mandated Charges	357.94
Taxes and Fees	413.97
<b>TOTAL CURRENT CHARGE</b>	<b>Past Due If Not Paid By 07/10/10</b>
	<b>\$7,317.06</b>
<b>PREVIOUS BALANCE</b>	<b>\$0.00</b>
<b>TOTAL AMOUNT DUE</b>	<b>0.7% Late Payment Charge Due If Paid After 07/14/10</b>
	<b>\$7,317.06</b>

\*\* FOR QUESTIONS REGARDING THIS BILL, PLEASE CALL Billing Analyst AT (213) 244-4347

OUR NGV DEPARTMENT IS ALWAYS AVAILABLE TO PROVIDE SERVICE AND INFORMATION REGARDING YOUR NEEDS. PLEASE CALL US AT 1-800-427-2000.



**BILLING SCHEDULE:**

Tariff	Contract Allocations	
	% Therms/month	Therms
GNGU	100	13,426

**CUSTOMER CHARGE:**

Tariff	Amount
GN/GTNG	13.00
<b>Total Customer Charge</b>	<b>\$13.00</b>

**COMMODITY CHARGE:**

Tariff	Eff. Date	Therms	X	Rate	=	Amount
GNGU	06/01/2010	13,426		0.48653		6,532.15
<b>Total Commodity Charge</b>						<b>\$6,532.15</b>

**STATE MANDATED CHARGES:**

Tariff	Eff. Date	Therms	X	Rate	=	Amount
<b>Public Purpose Programs Surcharge</b>						
GNGU	06/01/2010	13,426		0.02598		348.81
<b>Total Public Purpose Programs Surcharge</b>						<b>\$348.81</b>
<b>State Regulatory Fee</b>						
GNGU	06/01/2010	13,426		0.00068		9.13
<b>Total State Regulatory Fee</b>						<b>\$9.13</b>
<b>Total State Mandated Surcharges</b>						<b>\$357.94</b>

**TAXES AND FEES:**

Huntington Beach Franchise Fee Surcharge

Description	Eff. Date	Usage	X	Rate	=	Amount
Utility Users' Tax				5.00%		348.43
Franchise Fee Surcharge				1.00%		65.54
<b>Total Taxes and Fees</b>						<b>\$413.97</b>

**METER INFORMATION:**

Station ID	Effective Date	Total CCF	Billing Factor	Total Therms
999999999	06/01/2010	13228	1.015	13,426
<b>Total</b>		<b>13228</b>		<b>13,426</b>

**HISTORY:**

<b>Period</b>	<b>Season</b>	<b>Therms Used</b>	<b>Amount</b>
<b>Current</b>	Summer	13,426	\$7,317.06
<b>May 2010</b>	Summer	99,999	\$99,999.99
<b>Apr 2010</b>	Winter	99,999	\$99,999.99
<b>Mar 2010</b>	Winter	99,999	\$99,999.99
<b>Feb 2010</b>	Winter	99,999	\$99,999.99
<b>Jan 2010</b>	Winter	99,999	\$99,999.99
<b>Dec 2009</b>	Summer	99,999	\$99,999.99
<b>Nov 2009</b>	Summer	99,999	\$99,999.99
<b>Oct 2009</b>	Summer	99,999	\$99,999.99
<b>Sep 2009</b>	Summer	99,999	\$99,999.99
<b>Aug 2009</b>	Summer	99,999	\$99,999.99
<b>Jul 2009</b>	Summer	99,999	\$99,999.99

**MESSAGES:**

## WIRE TRANSFER BILL INSTRUCTIONS:

Payee Bank: UNION BANK OF CALIFORNIA  
 Bank Address: 445 SO. FIGUEROA ST.  
 LOS ANGELES, CA 90013  
 Bank Aba Number: 122000496  
 Payee Name: SOUTHERN CALIFORNIA GAS CO.  
 Payee Account No: 10001-27805  
 Reference: CUSTOMER BILL ACCOUNT NUMBER (999-999-9999)

The Gas Company's Current Cost of Gas: \$0.42672/Therm.

Providing safe and reliable energy to our customers for nearly 140 years.

Sample Invoice - NonCore C&I  
 Franchise Fee Surcharge  
 888 Uncle Ben Road  
 Huntingtn Bch CA 92847

**SO. CAL. GAS CO.**  
**P.O. BOX C**  
**MONT. PK., CA 91756**

<b>PLEASE PAY THIS AMOUNT</b>	<b>\$8,118.78</b>
-------------------------------	-------------------

80 9999999999 00812325 32      9999999999 008123253E

<b>Customer Name</b>	Sample Invoice - NonCore C&I		
	Franchise Fee Surcharge		
<b>Service Address</b>	888 Uncle Ben Road		
	Huntingtn Bch CA 92847		
<b>Account Number</b>	999-999-9999 9		
<b>Old Account Number</b>	18-8888-888-888-8	999	
<b>Billing Period:</b>	<b>From</b>	<b>To</b>	<b>Therms Used</b>
	06/01/2010	07/01/2010	46,720

**SUMMARY OF BILLING CHARGES:**

Description Of Charges	Amount
Customer Charge	350.00
Transmission Charge	5,612.93
State Mandated Charges	1,722.57
Taxes and Fees	433.28
<b>TOTAL CURRENT CHARGE</b>	<b>Past Due If Not Paid By 06/29/10</b>
	<b>\$8,118.78</b>
<b>PREVIOUS BALANCE</b>	<b>\$0.00</b>
<b>TOTAL AMOUNT DUE</b>	<b>0.7% Late Payment Charge Due If Paid After 07/02/10</b>
	<b>\$8,118.78</b>

\*\* FOR QUESTIONS REGARDING THIS BILL, PLEASE CALL TOM PITT AT (213) 244-1111

\*\* YOUR ACCOUNT EXECUTIVE IS ALWAYS AVAILABLE TO PROVIDE SERVICE AND INFORMATION REGARDING YOUR ENERGY NEEDS. PLEASE CALL GEORGE SMITH AT (714) 634-222

**BILLING SCHEDULE:**

Tariff	Contract Allocations		Therms
	%	Therms/month	
GTF3D	Net Billed	999,999	46,720

**CUSTOMER CHARGE:**

Tariff	Amount
GTF3D/GTI3D	350.00
<b>Total Customer Charge</b>	<b>\$350.00</b>

**TRANSMISSION CHARGE:**

Tariff	Eff. Date	Therms	X	Rate	=	Amount
GTF3D	06/01/2010	20,833		0.15533		3,235.99
GTF3D	06/01/2010	25,887		0.09182		2,376.94
<b>Total Transmission Charge</b>						<b>\$5,612.93</b>

**CURRENT TRANSPORTATION DELIVERIES:**

OCC ID	Mktr ID	Receipt Point / Supply Source	Description	Therms
999				0
<b>Total Transportation Deliveries</b>				<b>0</b>

**STATE MANDATED CHARGES:**

Tariff	Eff. Date	Therms	X	Rate	=	Amount
GMSUR	06/01/2010	46,720		0.00597		278.92
GPPPS	06/01/2010	46,720		0.03022		1,411.88
GSRF	06/01/2010	46,720		0.00068		31.77
<b>Total State Mandated Surcharges</b>						<b>\$1,722.57</b>

**TAXES AND FEES:**

Description	Eff. Date	Usage	X	Rate	=	Amount
Utility Users' Tax				5.00%		373.33
Franchise Fee Surcharge				1.00%		59.95
<b>Total Taxes and Fees</b>						<b>\$433.28</b>

Huntington Beach  
Franchise Fee  
Surcharge

**METER INFORMATION:**

<b>Meter Number</b>	<b>Effective Date</b>	<b>Total CCF</b>	<b>Billing Factor</b>	<b>Total Therms</b>
9999999	06/01/2010	46030	1.015	46,720
<b>Total</b>		<b>46030</b>		<b>46,720</b>

**HISTORY:**

<b>Period</b>	<b>Season</b>	<b>Therms Used</b>	<b>Amount</b>
<b>Current</b>	Summer	46,720	\$8,118.78
<b>May 2010</b>	Winter	99,999	\$99,999.99
<b>Apr 2010</b>	Winter	99,999	\$99,999.99
<b>Mar 2010</b>	Winter	99,999	\$99,999.99
<b>Feb 2010</b>	Winter	99,999	\$99,999.99
<b>Jan 2010</b>	Summer	99,999	\$99,999.99
<b>Dec 2009</b>	Summer	99,999	\$99,999.99
<b>Nov 2009</b>	Summer	99,999	\$99,999.99
<b>Oct 2009</b>	Summer	99,999	\$99,999.99
<b>Sep 2009</b>	Summer	99,999	\$99,999.99
<b>Aug 2009</b>	Summer	99,999	\$99,999.99
<b>Jul 2009</b>	Summer	99,999	\$99,999.99

**MESSAGES:****WIRE TRANSFER BILL INSTRUCTIONS:**

Payee Bank: UNION BANK OF CALIFORNIA  
 Bank Address: 445 SO. FIGUEROA ST.  
 LOS ANGELES, CA 90013  
 Bank Aba Number: 122000496  
 Payee Name: SOUTHERN CALIFORNIA GAS CO.  
 Payee Account No: 10001-27805  
 Reference: CUSTOMER BILL ACCOUNT NUMBER (999-999-9999)

Providing safe and reliable energy to our customers for nearly 140 years.

Sample Bill - Small EG  
 Franchise Fee Surcharge  
 123 N Main St  
 Hunting Beach, CA 92612

**SO. CAL. GAS CO.**  
**P.O. BOX C**  
**MONT. PK., CA 91756**

**PLEASE PAY THIS AMOUNT \$1,191.66**

80 9999999999 00119390 69      9999999999 0011939069

<b>Customer Name</b>	Sample Bill - Small EG		
<b>Service Address</b>	123 N Main St Huntingtn Bch CA 92647		
<b>Account Number</b>	999-999-9999 6		
<b>Old Account Number</b>	18-8888-888-888-8	999	
<b>Billing Period:</b>	<b>From</b>	<b>To</b>	<b>Therms Used</b>
	06/01/2010	07/01/2010	17,179

**SUMMARY OF BILLING CHARGES:**

Description Of Charges	Amount
Customer Charge	50.00
Transmission Charge	965.29
State Mandated Charges	114.24
Taxes and Fees	62.13
<b>TOTAL CURRENT CHARGE</b>	<b>\$1,191.66</b>
<b>Past Due If Not Paid By 07/11/10</b>	
<b>PREVIOUS BALANCE</b>	<b>\$0.00</b>
<b>TOTAL AMOUNT DUE</b>	<b>\$1,191.66</b>
<b>0.7% Late Payment Charge Due If Paid After 07/15/10</b>	

\*\* FOR QUESTIONS REGARDING THIS BILL, PLEASE CALL BILLING ANALYST AT (213) 244-4329

\*\* YOUR ACCOUNT EXECUTIVE IS ALWAYS AVAILABLE TO PROVIDE SERVICE AND INFORMATION REGARDING YOUR ENERGY NEEDS. PLEASE CALL JEFF MARKETING AT (714) 634-3189

**BILLING SCHEDULE:**

Contract Allocations			
Tariff	%	Therms/month	Therms
GTF5D	Net Billed	15,717	17,179

**CUSTOMER CHARGE:**

Tariff	Annual Usage	Amount
GTF5D/GTI5D	184,930	50.00
<b>Total Customer Charge</b>		<b>\$50.00</b>

**TRANSMISSION CHARGE:**

Tariff	Eff. Date	Therms	X	Rate	=	Amount
GTF5D	06/01/2010	17,179		0.05619		965.29
<b>Total Transmission Charge</b>						<b>\$965.29</b>

**CURRENT TRANSPORTATION DELIVERIES:**

OCC ID	Mktr ID	Receipt Point / Supply Source	Description	Therms
999				0
<b>Total Transportation Deliveries</b>				<b>0</b>

**STATE MANDATED CHARGES:**

Tariff	Eff. Date	Therms	X	Rate	=	Amount
GMSUR	06/01/2010	17,179		0.00597		102.56
GSRF	06/01/2010	17,179		0.00068		11.68
<b>Total State Mandated Surcharges</b>						<b>\$114.24</b>

**TAXES AND FEES:**

Description	Eff. Date	Usage	X	Rate	=	Amount
Utility Users' Tax				5.00%		51.86
Franchise Fee Surcharge				1.00%		10.27
<b>Total Taxes and Fees</b>						<b>\$62.13</b>

Huntington Beach  
Franchise Fee  
Surcharge

**METER INFORMATION:**

Meter Number	Effective Date	Total CCF	Billing Factor	Total Therms
99999999	06/01/2010	16925	1.015	17,179
<b>Total</b>		<b>16925</b>		<b>17,179</b>

**HISTORY:**

Period	Season	Therms Used	Amount
<b>Current</b>	Summer	17,179	\$1,191.66
<b>May 2010</b>	Summer	99,999	\$9,999.00
<b>Apr 2010</b>	Winter	99,999	\$9,999.00
<b>Mar 2010</b>	Winter	99,999	\$9,999.00
<b>Feb 2010</b>	Winter	99,999	\$9,999.00
<b>Jan 2010</b>	Winter	99,999	\$9,999.00
<b>Dec 2009</b>	Summer	99,999	\$9,999.00
<b>Nov 2009</b>	Summer	99,999	\$9,999.00
<b>Oct 2009</b>	Summer	99,999	\$9,999.00
<b>Sep 2009</b>	Summer	99,999	\$9,999.00
<b>Aug 2009</b>	Summer	99,999	\$9,999.00
<b>Jul 2009</b>	Summer	99,999	\$9,999.00

**MESSAGES:****WIRE TRANSFER BILL INSTRUCTIONS:**

Payee Bank: UNION BANK OF CALIFORNIA  
 Bank Address: 445 SO. FIGUEROA ST.  
 LOS ANGELES, CA 90013  
 Bank Aba Number: 122000496  
 Payee Name: SOUTHERN CALIFORNIA GAS CO.  
 Payee Account No: 10001-27805  
 Reference: CUSTOMER BILL ACCOUNT NUMBER (999-999-9999)

Providing safe and reliable energy to our customers for nearly 140 years.



Sample Bill - Large EG  
 Franchise Fee Surcharge  
 123 N Main St  
 Huntington Beach, CA 92646

**SO. CAL. GAS CO.**  
**P.O. BOX C**  
**MONT. PK., CA 91756**

<b>PLEASE PAY THIS AMOUNT</b>	<b>\$145,395.85</b>
-------------------------------	---------------------

80 9999999999 14539585 90      9999999999 1453958590

<b>Customer Name</b>	Sample Bill - Large EG		
<b>Service Address</b>	123 N Main St Huntingtn Bch CA 92646		
<b>Account Number</b>	999-999-9999 9		
<b>Old Account Number</b>	18-8888-888-888-8	999	
<b>Billing Period:</b>	<b>From</b>	<b>To</b>	<b>Therms Used</b>
	06/01/2010	07/01/2010	4,836,121

**SUMMARY OF BILLING CHARGES:**

Description Of Charges	Amount
Transmission Charge	106,588.11
State Mandated Charges	32,160.20
Taxes and Fees	6,647.54
<b>TOTAL CURRENT CHARGE</b>	<b>Past Due If Not Paid By 07/12/10</b>
	<b>\$145,395.85</b>
<b>PREVIOUS BALANCE</b>	<b>\$0.00</b>
<b>TOTAL AMOUNT DUE</b>	<b>0.7% Late Payment Charge Due If Paid After 07/16/10</b>
	<b>\$145,395.85</b>

\*\* FOR QUESTIONS REGARDING THIS BILL, PLEASE CALL BILLING ANALYST AT (213) 244-3445

\*\* YOUR ACCOUNT EXECUTIVE IS ALWAYS AVAILABLE TO PROVIDE SERVICE AND INFORMATION REGARDING YOUR ENERGY NEEDS. PLEASE CALL JEFF MARKETING AT (213) 244-3791

**BILLING SCHEDULE:**

<b>Contract Allocations</b>			
<b>Tariff</b>	<b>%</b>	<b>Therms/month</b>	<b>Therms</b>
GT5CA	Net Billed	5,236,141	4,836,121

**TRANSMISSION CHARGE:**

<b>Tariff</b>	<b>Eff. Date</b>	<b>Therms</b>	<b>X</b>	<b>Rate</b>	<b>=</b>	<b>Amount</b>
GT5CA	06/01/2010	4,836,121		0.02204		106,588.11
<b>Total Transmission Charge</b>						<b>\$106,588.11</b>

**STATE MANDATED CHARGES:**

<b>Tariff</b>	<b>Eff. Date</b>	<b>Therms</b>	<b>X</b>	<b>Rate</b>	<b>=</b>	<b>Amount</b>
GMSUR	06/01/2010	4,836,121		0.00597		28,871.64
GSRF	06/01/2010	4,836,121		0.00068		3,288.56
<b>Total State Mandated Surcharges</b>						<b>\$32,160.20</b>

**TAXES AND FEES:**

<b>Description</b>	<b>Eff. Date</b>	<b>Usage</b>	<b>X</b>	<b>Rate</b>	<b>=</b>	<b>Amount</b>
Utility Users' Tax				5.00%		5,548.77
Franchise Fee Surcharge				1.00%		1,098.77
<b>Total Taxes and Fees</b>						<b>\$6,647.54</b>

Huntington Beach  
Franchise Fee  
Surcharge

**METER INFORMATION:**

<b>Meter Number</b>	<b>Effective Date</b>	<b>Total CCF</b>	<b>Billing Factor</b>	<b>Total Therms</b>
99999999	06/01/2010	4764651	1.015	4,836,121
<b>Total</b>		<b>4764651</b>		<b>4,836,121</b>

**HISTORY:**

<b>Period</b>	<b>Season</b>	<b>Therms Used</b>	<b>Amount</b>
<b>Current</b>	Summer	4,836,121	\$145,395.85
<b>May 2010</b>	Summer	9,999,999	\$999,999.00
<b>Apr 2010</b>	Summer	9,999,999	\$999,999.00
<b>Mar 2010</b>	Winter	9,999,999	\$999,999.00
<b>Feb 2010</b>	Winter	9,999,999	\$999,999.00
<b>Jan 2010</b>	Winter	9,999,999	\$999,999.00
<b>Dec 2009</b>	Winter	9,999,999	\$999,999.00
<b>Nov 2009</b>	Summer	9,999,999	\$999,999.00
<b>Oct 2009</b>	Summer	9,999,999	\$999,999.00
<b>Sep 2009</b>	Summer	9,999,999	\$999,999.00
<b>Aug 2009</b>	Summer	9,999,999	\$999,999.00
<b>Jul 2009</b>	Summer	9,999,999	\$999,999.00

**MESSAGES:**

## WIRE TRANSFER BILL INSTRUCTIONS:

Payee Bank: UNION BANK OF CALIFORNIA  
 Bank Address: 445 SO. FIGUEROA ST.  
 LOS ANGELES, CA 90013  
 Bank Aba Number: 122000496  
 Payee Name: SOUTHERN CALIFORNIA GAS CO.  
 Payee Account No: 10001-27805  
 Reference: CUSTOMER BILL ACCOUNT NUMBER (999-999-9999)

Providing safe and reliable energy to our customers for nearly 140 years.

**ATTACHMENT C**

**Advice No. 4134**

**City of Huntington Beach Franchise Ordinance  
Approved by the City on May 17, 2010**

ORDINANCE NO. 3880

AN ORDINANCE GRANTING TO SOUTHERN CALIFORNIA GAS COMPANY, ITS SUCCESSORS AND ASSIGNS, THE FRANCHISE TO CONSTRUCT, MAINTAIN AND USE PIPES AND APPURTENANCES FOR TRANSMITTING AND DISTRIBUTING GAS FOR ANY AND ALL PURPOSES IN, ALONG, ACROSS, UPON, AND UNDER THE PUBLIC STREETS AND PLACES WITHIN THE CITY OF HUNTINGTON BEACH.

The City Council of the City of Huntington Beach does hereby ordain as follows:

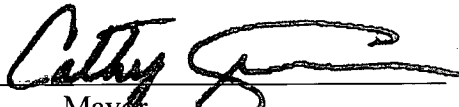
SECTION 1. The City of Huntington Beach hereby grants a gas pipeline franchise to Southern California Gas Company.

SECTION 2. The franchise is granted in accordance with the terms and conditions set forth in the attached Pipeline Agreement between the City of Huntington Beach and Southern California Gas Company to construct, maintain and use pipes and appurtenances for transmitting and distributing gas for any and all purposes in, along, across, upon, and under the public streets and places within the City of Huntington Beach which agreement is incorporated herein by this reference.

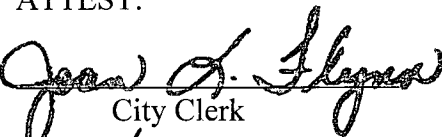
SECTION 3. Charter Sections 550(a) and 615 requires that a franchise shall be granted by ordinance.

SECTION 4. This ordinance shall become effective 30 days after this adoption.

PASSED AND ADOPTED by the City Council of the City of Huntington Beach at a regular meeting thereof held on the 17th day of May, 2010.

  
\_\_\_\_\_  
Mayor

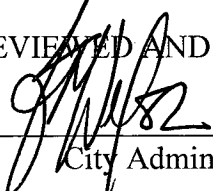
ATTEST:

  
\_\_\_\_\_  
City Clerk

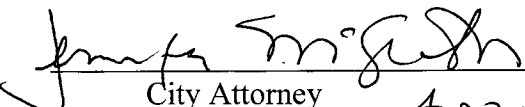
INITIATED AND APPROVED:

  
\_\_\_\_\_  
Director of Public Works

REVIEWED AND APPROVED:

  
\_\_\_\_\_  
City Administrator

APPROVED AS TO FORM:

  
\_\_\_\_\_  
City Attorney 4.22.10

STATE OF CALIFORNIA )  
COUNTY OF ORANGE ) ss:  
CITY OF HUNTINGTON BEACH )

I, JOAN L. FLYNN, the duly elected, qualified City Clerk of the City of Huntington Beach, and ex-officio Clerk of the City Council of said City, do hereby certify that the whole number of members of the City Council of the City of Huntington Beach is seven; that the foregoing ordinance was read to said City Council at a **regular** meeting thereof held on **May 3, 2010**, and was again read to said City Council at a **regular** meeting thereof held on **May 17, 2010**, and was passed and adopted by the affirmative vote of at least a majority of all the members of said City Council.

**AYES:** Coerper, Hardy, Green, Bohr

**NOES:** Carchio, Dwyer, Hansen

**ABSENT:** None

**ABSTAIN:** None

I, Joan L. Flynn, CITY CLERK of the City of Huntington Beach and ex-officio Clerk of the City Council, do hereby certify that a synopsis of this ordinance has been published in the Huntington Beach Fountain Valley Independent on May 27, 2010.  
In accordance with the City Charter of said City  
Joan L. Flynn, City Clerk  
Rebecca Loo - Senior Deputy City Clerk

*Joan L. Flynn*  
City Clerk and ex-officio Clerk  
of the City Council of the City  
of Huntington Beach, California

AN AGREEMENT GRANTING TO SOUTHERN CALIFORNIA GAS COMPANY, ITS SUCCESSORS AND ASSIGNS, THE FRANCHISE TO CONSTRUCT, MAINTAIN AND USE PIPES AND APPURTENANCES FOR TRANSMITTING AND DISTRIBUTING GAS FOR ANY AND ALL PURPOSES IN, ALONG, ACROSS, UPON, AND UNDER THE PUBLIC STREETS AND PLACES WITHIN THE CITY OF HUNTINGTON BEACH.

This Franchise Agreement (Agreement) adopted by ordinance of the City of Huntington Beach is made and entered into by and between the City of Huntington Beach, a municipal corporation of the State of California hereinafter referred to as "City" and Southern California Gas Company, a \_\_\_\_\_, hereinafter "Grantee."

SECTION 1 DEFINITIONS.

Whenever in this Agreement the words or phrases hereinafter in this section defined are used, they shall have the respective meaning assigned to them in the following definitions (unless, in the given instance, the context wherein they are used shall clearly import a different meaning).

(a) The word "Grantee" shall mean Southern California Gas Company, and its lawful successors or assigns;

(b) The word "City" shall mean the City of Huntington Beach, a municipal corporation of the State of California, in its present incorporated form or in any later reorganized, consolidated, enlarged or reincorporated form;

(c) The word "streets" shall mean the public streets, ways, alleys and places as the same now or may hereafter exist within the City, including state highways, now or hereafter established within the City, and freeways hereafter established within the City;

(d) The word "franchise" shall mean and include any authorization granted hereunder in terms of a franchise, privilege, permit, license or otherwise to construct, maintain and use pipes and appurtenances for the business of transmitting and distributing gas for all purposes under, along, across or upon the public streets, ways, alleys and places in the City, and shall include and be in lieu of any existing or future City requirement to obtain a license or permit for the privilege of transacting and carrying on a business within the City. Any proposed telecommunication facilities not related with gas utility services or other non-gas system uses must be approved by the City under a separate franchise or other applicable permit.

(e) The phrase "pipes and appurtenances" shall mean pipes, pipelines, mains, services, traps, vents, cables, conduits, vaults, manholes, meters, appliances, associated communications infrastructure, attachments, appurtenances, and any other property located or to be located in, upon, along, across, or under the streets of the City, and used or useful in the transmitting and/or distributing of gas;

(f) The word "gas" shall mean natural or manufactured gas, or a mixture of natural and manufactured gas;

(g) The phrase "construct, maintain, and use" shall mean to construct, erect,

install, lay, operate, maintain, use, repair, or replace; and

(h) The phrase "gross annual receipts" shall mean gross operating receipts received by Grantee from the sale of gas to Grantee's customers less uncollectible amounts and less any refunds or rebates made by Grantee to such customers pursuant to California Public Utilities Commission ("CPUC") orders or decisions.

## SECTION 2. PURPOSE AND TERM.

(a) That the right, privilege and franchise, subject to each and all of the terms and conditions contained in this Agreement, and pursuant to the provisions of Division 3, Chapter 2 of the Public Utilities Code of the State of California, known as the Franchise Act of 1937, be and the same is hereby granted to Grantee to construct, maintain and use pipes and appurtenances for transmitting and distributing gas for any and all purposes, under, along, across or upon the streets of the City for a twenty-five (25) year term from and after the effective date hereof (January 1, 2010).

(b) Early Termination: In the event the CPUC has not approved Grantee's application for imposition of a surcharge for payment of the franchise fee in the manner provided for in Section 3(a)(2) within eighteen (18) months of the effective date of this Agreement, or if the CPUC has denied Grantee's application as filed, then at the request of either party, the parties shall meet and confer to determine the proper compensation for the remaining term of this franchise. If no agreement on compensation is reached by the parties prior to a date that is twenty-one (21) months after the effective date of this franchise Agreement, then this Agreement and the franchise granted herein shall terminate and be of no further force and effect.

(c) City shall have the right to terminate this franchise by ordinance, at any time, should any of the following events occur: (i) the Grantee fails to comply with any material provision hereof or (ii) the City purchases (through its power of eminent domain or otherwise) all of the franchise property of Grantee. The Grantee shall be given ninety (90) days written notice prior to the beginning of any termination proceeding.

## SECTION 3. CONSIDERATION.

(a) The Grantee shall pay to the City at the times hereinafter specified in lawful money of the United States, a total annual franchise fee, commencing as of January 1, 2010, that is equal to the sum of three (3) plus either one (1) or two (2) below (whichever is then in effect) as follows:

1. The higher of:

(i) Two percent (2%) of the gross annual receipts of the Grantee derived from the use, operation or possession of this franchise; or

(ii) One percent (1%) of the gross annual receipts of the Grantee derived from the sale, transmission, or distribution of gas, within the limits of the City under this franchise.

2. Grantee shall apply to the CPUC with the City's concurrence for authority to implement a franchise fee surcharge to be charged solely on the City's ratepayers to recover an additional one percent (1%) of gross annual receipts for a total payment to the City based on two percent (2%) of gross annual receipts from the sale, transmission, or distribution of gas



within the limits of the City as described in Section 1(ii) above. After receipt of CPUC approval acceptable to Grantee, Grantee shall calculate and pay the City as of the first day of the quarter immediately following receipt of such approval, the higher of the following two formulas instead of the payment pursuant to Section 1 above:

(i) Two percent (2%) of the gross annual receipts of the Grantee derived from the use, operation or possession of its franchise; or

(ii) Two percent (2%) of the gross annual receipts of the Grantee derived from the sale, transmission, or distribution of gas, within the limits of the City under this franchise.

3. In addition to either Section 1 or Section 2 above (whichever is then in effect), Grantee shall also pay Grantor 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 Code.

(b) The franchise fee shall be paid in four installments. The first three installments shall be based on the total gross receipts of the preceding calendar quarter employing the formula of subsection a.1.(ii) or a.2.(ii) above (whichever is then in effect), plus the amount of the In-Lieu Fee of Section a.3 for the preceding calendar quarter. The final installment shall be a true-up installment using the applicable formula from either subsection a.1 or a.2 above (whichever is then in effect) plus the In-Lieu Fee under Section a.3. above plus any adjustment, if applicable, as provided in Section (c) for the total franchise fee. Each installment shall be paid to the City on or prior to the twenty-fifth (25<sup>th</sup>) day of the second month following the respective quarter for which payment is made, except for the final quarterly true-up payment for the year, which shall be paid on or prior to March 31st. For example, the installment for the first quarter of the year (January through March) shall be paid to the City no later than May 25<sup>th</sup>.

(c) Any overpayment shall be recovered by Grantee by setoff against future installments, or, if the franchise has been terminated such overpayment, or the balance thereof, shall be payable by City to Grantee upon submission of a written claim, under penalty of perjury, to the City Clerk within two years of the overpayment. Such claim must clearly establish claimant's right to the refund by written records showing entitlement thereto.

(d) The Grantee shall file with the City Clerk, within three (3) months after the expiration of the calendar year, or fractional calendar year, following the date of the granting hereof, and within three (3) months after the expiration of each and every calendar year thereafter, a duly verified statement showing in detail the total gross annual receipts and Surcharge Payment of such Grantee during the preceding calendar year, or such fractional calendar year, from the sale of gas within the City.

(e) In the event the legislature amends Division 3, Chapter 2, of the Public Utilities Code during the term of this Franchise whereby the City is allowed by change in the Act to increase the amount that may be charged to the Grantee, then the City may implement the allowed increased payment together with all other associated changes to the Act by amending this Agreement by ordinance and consistent with the City's Charter. The changes, including the payment of the increased fee amount, shall be applicable as of the first day of the month following the effective date of such amendment.

#### SECTION 4. OTHER FRANCHISES.

This grant is made in lieu of all other gas utility franchises owned by the Grantee, or by any successor of the Grantee to any rights under this franchise, for transmitting and distributing gas within the limits of the City, as said limits now or may hereafter exist, and the acceptance of the franchise hereby granted shall operate as an abandonment of all such gas utility franchises within the limits of this City, as such limits now or may hereafter exist, in lieu of which this franchise is granted. This Grant after its effective date also supersedes the Revocable License executed by the parties in December 2009.

#### SECTION 5. OBLIGATIONS OF GRANTEE.

(a) All facilities or equipment of Grantee shall be constructed, installed and maintained in accordance with and in conformity with all of the ordinances, rules and regulations heretofore, or hereafter adopted by the legislative body of this City in the exercise of its police powers and not in conflict with the paramount authority of the State of California, and, as to state highways, subject to the provisions of the general laws relating to the location and maintenance of such facilities.

(b) If any portion of any street shall be damaged by reason of defects in any of the pipes and appurtenances maintained or constructed under this grant, or by reason of any other cause arising from the operation or existence of any pipes and appurtenances constructed or maintained under this grant, Grantee shall, at its own cost and expense, immediately 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.

(c) The Grantee shall pay to the City, on demand, the cost of all repairs to public property made necessary by any operations of the Grantee under this franchise.

(d) Except for such losses or damages caused by the sole negligence or willful misconduct of City and any officers and employees, grantee shall indemnify, save, and hold harmless, City and any officers and employees thereof against and from all damages, judgments, decrees, costs and expenditures which City, or such officer or employee, may suffer, or which may be recovered from, or obtainable against City, or such officer or employee, for, or by reason of, or growing out of or resulting from the exercising by Grantee of any or all of the rights or privileges granted hereby, or by reason of any act or acts of Grantee or its servants or agents in exercising the franchise granted hereby, and Grantee shall defend any suit that may be instituted against City, or any officer or employee thereof, by reason of or growing out of or resulting from the exercise by Grantee of any or all of the rights or privileges granted hereby, or by reason of any act or acts of Grantee, or its servants or agents, in exercising the franchise granted hereby.

#### SECTION 6 REMOVE OR RELOCATE FACILITIES.

(a) City shall have the right for itself to lay, construct, erect, install, use, operate, repair, replace, remove, relocate or maintain below surface or above surface improvements of any type or description in, upon, along, across, under or over the streets of the City.

Further, City shall have the right to change the grade, width or location of any street, or improve any street in any manner, including but not limited to the laying of any sewer, storm drain, drainage facility, or construct and install any pedestrian tunnel, traffic signal, street lighting facility or other public improvement; provided, however, that nothing herein is intended to expand or limit the duty of Grantee to relocate at its expense under CPUC Section 6297 or common law. If such work shall require a change in the position or location of any Grantee's facilities or equipment, Grantee, at its sole expense, within ninety (90) days after written notice from the Public Works Director, shall commence the work of doing any and all things to effect such change in position or location in conformity with the Public Works Director's written instructions. Grantee shall proceed promptly to complete such required work.

(b) Irrespective of any other provision of this Agreement, Grantee's right to construct, maintain, and use, or remove pipes and appurtenances thereto shall be subject at all times to the right of the City, in the exercise of its police power, to require the removal or relocation of said pipes and appurtenances thereto at the sole cost and expense of Grantee, except (1) as the law may otherwise provide or, (2) except where Grantee's right to possession is pursuant to instruments evidencing right-of-way, easements or other interest in real property, or (3) except where the removal or relocation is made at the request of the City on behalf of or for the benefit of any private developer, CalTrans, or other third party.

(c) In the event that the City is made aware of a project developed by a governmental agency, water company, private party or the City that would be located within five hundred feet of a regulator station or other major gas facilities, City shall notify Grantee and initiate discussions among the implicated parties in order to assess potential economic and community impacts and facilitate coordinated and economically reasonable outcomes.

(d) In the event the use of any franchise property is discontinued, Grantee shall promptly notify the Public Works Director of any material discontinuance and remove from the street all such discontinued property, unless the Public Works Director permits such property to be abandoned in place in accordance with the requirements of the Public Works Director (subject to applicable requirements of the CPUC). After abandonment, at the option of City, Grantee shall submit to the Public Works Director, an instrument, reasonably approved by the City and Grantee, transferring to the City the ownership of such franchise property.

## SECTION 7 TRANSFER OR SALE OF FRANCHISE.

Grantee of the franchise granted hereby shall file with the City Administrator and the City Council within thirty (30) days after any sale, transfer, assignment or lease of this franchise, or any part thereof, or of any of the rights or privileges granted thereby, written evidence of the same, certified thereto by the Grantee or its duly authorized officers. This franchise may not be transferred (voluntarily, involuntarily, or by operation of law), leased, or assigned by Grantee except by consent in writing of the City Council which shall not be unreasonably withheld or unreasonably conditioned and unless the transferee or assignees thereof shall covenant and agree to perform and be bound by each and all of the terms hereof; provided, however that the foregoing shall not apply to any sale, transfer assignment or lease of this franchise, or any part thereof, or of any of the rights or privileges granted thereby, that has been authorized by the CPUC or Grantee's inclusion of the franchise as security under a mortgage, deed of trust or other security Agreement securing the repayment of bonds or notes. Grantee shall file with the City Clerk and City

Administrator of the City within thirty (30) days after any sale, transfer, assignment, or lease of this franchise, or any part hereof, or any of the rights or privileges granted hereby, written evidence of the same, certified thereto by the Grantee or its duly authorized officers.

#### SECTION 8. FORFEITURE.

This franchise is granted upon each and every condition herein contained. Nothing shall pass by the franchise granted hereby to Grantee unless it be granted in plain and unambiguous terms. Each of said conditions is a material and essential condition to the granting of the franchise. If Grantee shall fail, neglect or refuse to comply with any of the conditions of the franchise granted hereby, and if such failure, neglect or refusal shall continue for more than thirty (30) days after written demand by the City Administrator for compliance therewith, then City, solely by act of the City Council, in addition to all rights and remedies allowed by law, thereupon may terminate the rights, privilege, and franchise granted in and by this Agreement, and all the rights, privileges and the franchise of Grantee granted hereby shall thereupon be at an end. Thereupon and immediately, Grantee shall surrender all rights and privileges in and to the franchise granted hereby. No provision herein made for the purpose of securing the enforcement of the terms and conditions of the franchise granted hereby shall be deemed an exclusive remedy or to afford the exclusive procedure for the enforcement of said terms and conditions, but the remedies and procedure outlined herein or provided, including forfeiture, shall be deemed to be cumulative.

#### SECTION 9. ACQUISITION AND VALUATION.

The franchise granted hereunder shall not in any way or to any extent impair or affect the right of the City to acquire the property of the Grantee hereof either by purchase or through the exercise of the right of eminent domain, and nothing herein contained shall be construed to contract away or to modify or to abridge, either for a term or in perpetuity, the City's right of eminent domain in respect to the Grantee; nor shall this franchise ever be given any value before any court or other public authority in any proceeding of any character in excess of the cost to the Grantee of the necessary publication and any other sum paid by it to the City therefor at the time of the acquisition thereof.

#### SECTION 10. PUBLICATION COSTS.

The Grantee shall pay to the City a sum of money sufficient to reimburse it for all publication expenses incurred by it in connection with the granting thereof, such payment to be made within thirty (30) days after the City shall have furnished such Grantee with a written statement of such expenses.

#### SECTION 11. EFFECTIVE DATE.

The franchise granted hereby shall not become effective until the effective date of the Ordinance adopting this Agreement and written acceptance thereof shall have been filed by the Grantee with the City Clerk. When so filed, such acceptance shall constitute a continuing Agreement of the Grantee that if and when the City shall thereafter annex or consolidate with additional territory, any and all franchise rights and privileges owned by the Grantee therein shall likewise be deemed to be abandoned within the limits of the additional territory.

SECTION 12. WRITTEN ACCEPTANCE.

After the publication of the Ordinance adopting this Agreement, the Grantee shall file with the City Clerk a written acceptance of the franchise hereby granted, and agree to comply with the terms and conditions hereof.

SECTION 13. PUBLICATION.

The City Clerk shall certify to the adoption of this Agreement, and within fifteen (15) days after its adoption, shall cause the same (with a list of the councilmembers voting for and against) to be published in the Huntington Beach Independent, a newspaper of general circulation published and circulated in the City.

SECTION 14. AUDIT OF RECORDS

The City Treasurer, or any certified public accountant, or qualified person designated by the City, at any reasonable time during business hours, may make an examination at the Grantee's office of its books, accounts, and records, germane to and for the purpose of verifying the data set forth in the statement required by Section 3(b).

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by and through their authorized officers on MAY 03, 2010.

SOUTHERN CALIFORNIA GAS COMPANY

By: [Signature]  
Michael P. Ballinger  
print name

ITS: (circle one) Chairman/President Vice President

AND

By: [Signature]  
CHERYL A. SHEPHERD  
print name

ITS: (circle one) Secretary/Chief Financial Officer Asst.  
Secretary - Treasurer

CITY OF HUNTINGTON BEACH, a  
municipal corporation of the State of California

[Signature]  
Cathy Green  
Mayor

[Signature]  
Jean A. Stepan  
City Clerk

INITIATED AND APPROVED:

[Signature]  
Director of Public Works

REVIEWED AND APPROVED:

[Signature]  
City Administrator

APPROVED AS TO FORM:

[Signature]  
Jennifer McFarland  
City Attorney

5-27-10

for  
4/22/2010