



Amendment to Pipeline Franchise Agreement

Cardinal Pipeline L.P

Statement of Issue

- The Mayor and City Council are being asked to approve for introduction Ordinance No. 4230 and authorize execution of an Amendment to the Pipeline Franchise Agreement with Cardinal Pipeline L.P.



Financial Impact

- The City will continue to receive a Base Annual Fee which will be deposited to the General Fund (Account Number 10000100.41230). Each annual period, this fee is adjusted by a rate of change as determined by HBMC 3.44.290.



Financial Impact

- Under this agreement Cardinal Pipeline owes a Base Annual Fee of \$117,024.35 + annual CPI escalation as per HBMC 3.44. The following table details the annual fee breakdown under this agreement:

Pipe Size Diameters in Inches	Base Rate Per Linear Foot	Linear Feet	Base Rate
6	\$0.895	39,425.00	35,285.38
10	\$1.485	7,409.00	11,002.37
12	\$1.787	39,584.00	70,736.61
		86,418.00	117,024.35



Local Market

- Staff have reviewed both State and local agencies to determine how the City's pipeline franchise base annual fee structure compares to the greater market.
- We have found that the City of Huntington Beach is currently charging a higher base annual rate than all agencies reviewed.
- The following table provides details



Local Market

City of Huntington Beach		State Public Utility Code		City of Long Beach		City of Seal Beach		City of Carson	
Internal Pipe Diameter Inches	Base Rate	Internal Pipe Diameter Inches	Base Rate	Internal Pipe Diameter Inches	Base Rate	Internal Pipe Diameter Inches	Base Rate	Internal Pipe Diameter Inches	Base Rate
0-4	0.59	0-4	0.088	0-4	0.232	0-4	0.120	0-4	0.088
6	0.895	6	0.132	6	0.352	6	0.160	6	0.132
8	1.197	8	0.176	8	0.471	8	0.220	8	0.176
10	1.485	10	0.220	10	0.584	10	0.250	10	0.220
12	1.787	12	0.264	12	0.703	12	0.300	12	0.264
14	2.092	14	0.308	14	0.823	14	0.350	14	0.308
16	2.377	16	0.352	16	0.935	16	0.400	16	0.352
18	2.682	18	0.396	18	1.055	18	0.500	18	0.396
20	2.984	20	0.44	20	1.174	20	0.550	20	0.440
22	3.272	22	0.484	22	1.287	22	0.600	22	0.484
24	3.574	24	0.528	24	1.406	24	0.700	24	0.528
26	3.879	26	0.572	26	1.526	26	0.750	26	0.572
28	4.164	28	0.616	28	1.638	28	0.800	28	0.616
30	4.469	30	0.660	30	1.758	30	0.850	30	0.660

Terms of Amendment

- 10-year extension. New expiration would be 2/13/2034.
- Base Annual Fee: \$117,024.35 + Annual CPI adjustment.
- Corporate Surety Bond of \$100,000
- Liability, Environmental and Workers Compensation Insurance



Recommended Action

- Approve for introduction Ordinance 4230 “An Ordinance of the City of Huntington Beach Amending Ordinance No. 4008 which Granted and Oil Pipeline Franchise”
- Approve and authorize the Mayor and City Clerk to execute the “Amendment to Franchise Agreement between the City of Huntington Beach and Cardinal Pipeline L.P”.



Alternative Action

- Do not approve the Agreement and direct staff to draft correspondence informing Franchisee that existing pipeline must be abandoned pursuant to HBMC and State code.
- This action would result in revenue loss for the City.



Questions?

