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DEPARTMENT

www.lbgo.org

July 16, 2013

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California**RECOMMENDATION:**

Adopt the Resolution authorizing the City Manager to adjust certain rates for natural gas service to reflect market conditions by implementing Gas Rate Schedules 1 through 5, 7, 9, plus readopt Exhibits A and B. (Citywide)

DISCUSSION

Long Beach Gas and Oil (LBGO) operates and maintains a pressurized natural gas pipeline system that consists of over 1,900 miles of aging underground pipeline and nearly 150,000 natural gas meters. The pipeline system includes both steel and plastic pipeline, with the bulk of the current pipeline system installed in the 1940s, 1950s, and 1960s, with some pipeline from the 1930s still in operation. Detailed historical leakage records of LBGO's pipeline system clearly demonstrate the relationship between the age of the pipeline and the vulnerability to leakage. With an aging pipeline system, it is imperative that LBGO continually reinvest gas ratepayer revenues into the pipeline infrastructure to maintain safe operation.

From that same safety perspective, federal and state regulators nationwide have increased their oversight of the manner in which individual natural gas utility systems are operated and maintained. Under the U.S. Department of Transportation, the Pipeline and Hazardous Materials Safety Administration (PHMSA) has recently established integrity management requirements for the nation's gas distribution pipeline systems. New regulations require gas utility systems to develop and implement a Gas Distribution Integrity Management Program (DIMP).

As required, in May 2013, LBGO filed its updated DIMP report with the federal PHMSA. LBGO's DIMP documents with detailed data the current condition of the overall LBGO gas pipeline system, identifies potential threats to the integrity of the system, and specific steps that LBGO is taking to address these potential threats, including tracking the progress of LBGO removing pre-1950 pipeline from its system. To demonstrate LBGO's level of effectiveness in reducing vulnerabilities to its gas pipeline system, the DIMP report includes benchmarked performance measurements such as the number of gas leaks. Periodically, the PHMSA sends auditors on site to inspect and review LBGO's operations and documentation to verify that LBGO is complying with all federal regulations and performing the actions described in the DIMP necessary to maintain a safe pipeline system.

HONORABLE MAYOR AND CITY COUNCIL

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site to inspect and review LBGO's operations and documentation to verify that LBGO is complying with all federal regulations and performing the actions described in the DIMP necessary to maintain a safe pipeline system.

In addition, beginning in 2015, all California gas utilities will be subject to the provisions of California's Global Warming Solutions Act (AB 32), including participation in the Cap and Trade Program. In preparation for this new regulation, LBGO is currently working with all the major private gas utilities such as Southern California Gas Company (SoCalGas), Pacific Gas & Electric, San Diego Gas & Electric (SDG&E), and Southwest Gas, as well as the other municipal gas utilities such as Palo Alto and Vernon, to meet with the California Air Resources Board (CARB) to facilitate how the provisions of AB 32 will be implemented for California's natural gas utilities.

Compliance with these and other regulatory demands for increased pipeline integrity and environmental programs are financially impacting gas utilities statewide. Largely in recognition of these cost increases, the California Public Utilities Commission (CPUC) last month authorized a rate increase to the transmission rates charged by SoCalGas and SDG&E to their customers. This CPUC approval followed a lengthy and detailed regulatory proceeding, which commenced in December 2010, with many public hearings. The CPUC approved the rate increase as justified to allow SoCalGas and SDG&E to:

- Operate their natural gas transmission and distribution system safely and reliably at reasonable rates
- Provide the necessary monies to fund the gas transmission and distribution pipeline integrity programs required by the federal government
- Provide the necessary monies to replace aging gas delivery infrastructure so as to ensure the safe and reliable delivery of natural gas to its customers
- Provide the necessary monies to comply with state and federal environmental regulations
- Prepare a Gas Transmission and Distribution and Gas Storage Safety Report

With like requirements for its own gas utility's operation, LBGO's business costs are similarly impacted as other area gas utilities have also been impacted. Pursuant to Long Beach City Charter Section 1502, LBGO periodically performs market reviews of its gas utility rates against those charged by other gas utilities in Southern California. Currently, LBGO's gas rates are significantly lower than those charged by SoCalGas and SDG&E to their customers.

As provided for in the City Charter, LBGO is recommending that the City Council approve rate adjustments to levels comparable with those of surrounding gas utilities in Southern California. Rate adjustments are recommended for all LBGO rate classifications including residential, commercial/industrial, compressed natural gas, electric generation, and transportation (see Attachment 1). For the average LBGO residential customer, the recommended rate adjustment would result in an estimated increase of \$1.64 per month (an approximate 5 percent increase).

The proposed rate changes impact the transmission rates for all customer categories but do not impact the service charge or commodity portions of the gas rates. The commodity charges for all customer classifications will continue to reflect the actual fluctuating monthly market price of natural gas along with any associated costs for receiving that gas. In addition to adjustments in the gas rate schedules, Exhibits A and B concerning special conditions and incentives are included under this Resolution to be readopted. There are no changes to Exhibits A and B.

This matter was reviewed by Deputy City Attorney Richard Anthony on June 25, 2013 and by Budget Management Officer Victoria Bell on June 24, 2013.

TIMING CONSIDERATIONS

City Council action is requested on July 16, 2013 in order to implement the gas rate changes effective for service received on or after August 1, 2013. The rate changes are intended to establish Long Beach gas utility service charges and transmission rates comparable with those of other like utilities pursuant to Section 1502 of the City Charter.

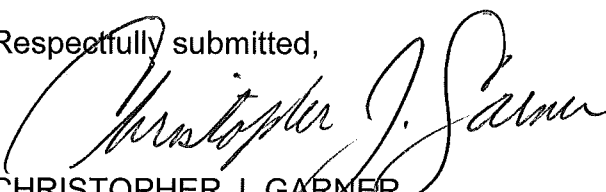
FISCAL IMPACT

An approximate \$405,000 increase in revenues to the Gas Fund (EF 301) in the Department of Long Beach Gas and oil (GO) is anticipated for the remainder of FY 13 (estimated to equal \$3.6 million increase annually). The actual amount of revenues will vary, depending upon the actual demand for, and the market price of, natural gas during the year. The resulting revenues will be utilized by LBGGO to continue its long-term natural gas pipeline replacement program as well as to meet all pipeline safety and environmental regulations.


SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,


CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH GAS AND OIL

APPROVED:



PATRICK H. WEST
CITY MANAGER

DJB:CAB:LAF

Attachments

1 RESOLUTION NO.

2
3 A RESOLUTION OF THE CITY COUNCIL OF THE
4 CITY OF LONG BEACH APPROVING CHANGES TO THE
5 SCHEDULE OF GAS RATES
6

7 WHEREAS, Chapter 15.36 of the Long Beach Municipal Code provides that
8 the rates, services and conditions for natural gas provided by the City's gas utility shall be
9 established by resolution of the Long Beach City Council; and

10 WHEREAS, Section 1502 of the Charter of the City of Long Beach requires
11 that the rates charged customers for services by the City's gas utility shall be based upon
12 the prevailing rates for similar services and commodities supplied or sold by other utilities
13 in the Southern California area; and

14 WHEREAS, the gas utility fees and charges, including any changes therein
15 are identified in the rate schedules attached as an exhibit hereto; and

16 WHEREAS, the City Manager has submitted proposed revisions to the gas
17 rates shown on the current gas rate schedules;

18 NOW, THEREFORE, the City Council of the City of Long Beach resolves as
19 follows:

20 Section 1. The attached schedules of gas rates, use priorities, and
21 conditions, and exhibits of gas fees, charges, incentives and related services are hereby
22 approved.

23 Section 2. This resolution of the attached schedules of gas rates, use
24 priorities, and conditions, and exhibits of gas fees, charges, incentives, and related
25 services, shall be effective and become operative on August 1, 2013.

26 Section 3. The City Manager is hereby authorized and directed to
27 implement the gas utility rates, use priorities, conditions, fees and charges hereby
28 adopted on the effective date.

OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

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Section 4. The City Clerk shall certify to the passage of this resolution by the City Council and cause it to be posted in three conspicuous places within the City and it shall take effect as hereinabove set forth.

I hereby certify that the foregoing resolution was adopted by the City Council of the City of Long Beach at its meeting of _____, 2013 by the following vote:

Ayes: Councilmembers: _____

Noes: Councilmembers: _____

Absent: Councilmembers: _____

City Clerk

PROPOSED GAS RATE CHANGES

GAS CUSTOMER CATEGORY	AVERAGE GAS BILL (CURRENT RATES)	AVERAGE GAS BILL (PROPOSED RATES)	MONTHLY INCREASE/ (DECREASE)	AVERAGE BILL % INCREASE/ DECREASE	TOTAL ESTIMATED REVENUE IMPACT
Residential	\$ 30.86	\$ 32.50	\$ 1.64	5.31%	\$ 2,781,667
Small Commercial/ Industrial	\$ 117.37	\$ 123.15	\$ 5.78	4.92%	\$ 307,553
Commercial/Industrial	\$ 1,544.17	\$ 1,615.93	\$ 71.76	4.65%	\$ 353,175
Large Commercial/ Industrial	\$ 31,458.72	\$ 32,023.66	\$ 564.94	1.80%	\$ 23,166
CNG/Natural Gas Vehicles*	\$ 3,992.29	\$ 4,056.18	\$ 63.89	1.60%	\$ 5,408
Electric Generation	\$ 4,662.11	\$ 5,005.94	\$ 343.83	7.37%	\$ 25,981
Transport Only Customers	\$ 3,929.16	\$ 4,330.58	\$ 401.42	10.22%	\$ 96,356
				Total Revenue Impact	\$ 3,593,306

*Customer base is primarily fleet vehicle refueling

SCHEDULE 1

RESIDENTIAL

Applicable to residential service of natural gas for cooking, water heating, space heating and other residential uses, as set forth in Section 15.36.020 of the Municipal Code.

RATES:

Residential

- **Daily Service Charge per Meter** \$0.1644

- **Tier I Rate (per therm)** \$0.3829
Applicable to all usage at or below daily baseline therm allowances under Special Condition (1)

- **Tier II Rate (per therm)** \$0.6429
Applicable to all usage above daily baseline therm allowances under Special Condition (1)

- **Cost of Gas (per therm)** Core Commodity Charge
Applicable to all usage

USE PRIORITY:

Service under this schedule shall be limited to residential customers who have priority in the use of gas over customers served under any of the other rate schedules at times when there is insufficient gas to supply the demands of all customers.

SPECIAL CONDITIONS:

- (1) Applicable only to specific volumes of residential cooking, water heating, space heating and other residential uses. Based on the end use for (A) single-family and individually metered dwelling units and (B) master metered multi-family dwelling units, a Daily Baseline Therm Allowance (Baseline Allowance), will be applied. Usage falling at or below the Baseline Allowance will be charged at the Tier I Rate. Usage in excess of the Baseline Allowance will be billed at the Tier II Rate.

Billing Codes	End Use for Residence	Daily Baseline Therm Allowance	
		(A) Single Family and Individually-Metered Dwelling Units (Per Unit)	(B) Master-Metered Multi-Family Dwelling Units (Per Unit)
1	Space Heating Only • Summer (5/1 through 10/31) • Winter (11/1 through 4/30)	0.473 1.691	0.000 1.210
2	Cooking & Water Heating • Summer (5/1 through 10/31) • Winter (11/1 through 4/30)	0.473 1.691	0.477 0.477
3	Basic Plus Space Heating • Summer (5/1 through 10/31) • Winter (11/1 through 4/30)	0.473 1.691	0.477 1.687
4	Cooking & Space Heating • Summer (5/1 through 10/31) • Winter (11/1 through 4/30)	0.473 1.691	0.089 1.299
5	Cooking Only • Summer (5/1 through 10/31) • Winter (11/1 through 4/30)	0.473 1.691	0.089 0.089
6	Water Heating • Summer (5/1 through 10/31) • Winter (11/1 through 4/30)	0.473 1.691	0.388 0.388
7	Water & Space Heating • Summer (5/1 through 10/31) • Winter (11/1 through 4/30)	0.473 1.691	0.388 1.598
8	Medical Condition per Exhibit "A" • Summer (5/1 through 10/31) • Winter (11/1 through 4/30)	1.295 2.513	N/A N/A
9	Non-Essential Uses	0.000	0.000

Monthly allowance is expressed in therms as determined by the system average one therm equals 100,000 Btu.

- (2) Residential customers using gas for non-essential uses only, will pay the Tier II Rate for all usage. These non-essential uses include, but are not limited to decorative fireplaces, gas lamps and clothes dryers.
- (3) Long Beach Gas & Oil's (LBGO) cost of gas is defined as an amount equal to LBGO's 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 LBGO's natural gas requirements, as well as the cost for any financial transactions implemented to reduce market exposure for the cost of gas. The gas purchased will be comprised of any one or combination of three increments of supply as follows:
 - (a) Interstate supplies delivered into the Southern California Gas Company (SoCalGas) intrastate pipeline system without consideration of SoCalGas (or any other intrastate pipeline company providing similar services) pipeline transportation and other system costs associated with intrastate delivery to the City of Long Beach (City);
 - (b) Gas storage withdrawals; and
 - (c) Any local gas delivered directly into LBGO's pipeline system.
- (4) The Core Commodity Charge under this Schedule will be determined on a monthly basis and shall equal LBGO's projected cost of gas. There will be no markup to the customer above LBGO's actual cost of gas as determined by actual expenditures, but not including any discounts or rebates.
- (5) The cost of all gas purchased by LBGO shall be assigned to either the Core or Non-Core Commodity Charge, according to the price of each increment. The Core demand (Rate Schedules 1, 2, 3, and 5) shall be met with sufficient volumes of the lowest cost increment(s) of gas.
- (6) The monthly Commodity Charge will be made available to customers by calling LBGO at (562) 570-2066 and will also be posted on the City's internet website. The actual cost of gas charged to the customer may differ from the posted rate as the customer's billing period may overlap over more than one month and therefore the billed commodity charge will reflect the weighted average commodity charge based on the number of days in each month under the customer's billing cycle.
- (7) The Commodity Charge shall be subject to adjustment as the result of tariff, pricing changes, or regulatory action that may be imposed by governmental entities having jurisdiction therein.
- (8) These rates do not apply to services provided by SoCalGas operating under franchise with the City.

SCHEDULE 2

SMALL COMMERCIAL AND INDUSTRIAL

Applicable to non-residential service of natural gas to commercial and industrial customers whose annual consumption does not exceed 12,000 therms based on the customer's prior calendar year consumption, or estimated annual consumption for new customers, as set forth in Section 15.36.030 of the Municipal Code.

RATES:

- **Daily Service Charge per Meter** \$0.4932

- **Transmission Charge (per therm)**
 - Tier I: All usage not to exceed 100 therms per summer month (April – November) or 250 therms per winter month (December – March) (prorated on a daily basis) \$0.5158

 - Tier II: All usage exceeding Tier I volumes but not exceeding 4,167 therms monthly (prorated on a daily basis) \$0.2573

 - Tier III: All usage exceeding 4,167 therms monthly (prorated on a daily basis) \$0.0840

- **Cost of Gas (per therm)**
 - Applicable to all usage Core Commodity Charge

USE PRIORITY:

Customers receiving service under this schedule shall have priority in the use of gas over customers served under other rate schedules, except Schedule 1 when there is curtailment or insufficient gas to supply the demands of all customers, and such customers shall be subject to discontinuance of service without notice in case of curtailment or threatened or actual shortage of gas in favor of customers under Schedule 1. The City shall not be liable for damages, which may be occasioned by the curtailment, discontinuance or shut off of such gas supply or service.

SPECIAL CONDITIONS:

- (1) At all locations where gas is furnished or used under this schedule, the customer must install separate meters to measure gas subject to a different schedule or schedules.
- (2) The Cost of Gas is defined in Special Condition 3 under Gas Rate Schedule 1 and the Core Commodity Charge is determined as set forth in Special Conditions 4 and 5 of Gas Rate Schedule 1.

For other applicable Special Conditions, refer to Special Conditions 6, 7, and 8 of Rate Schedule 1.

SCHEDULE 3

COMMERCIAL AND INDUSTRIAL

Applicable to commercial and industrial service of natural gas to customers with annual consumption in excess of 12,000 therms or less than 250,000 therms based on the customer's prior calendar year consumption, or estimated annual consumption for new customers, as set forth in Section 15.36.040 of the Municipal Code.

RATES:

- **Daily Service Charge per Meter** \$0.4932

- **Transmission Charge (per therm)**
 - Tier I: All usage not to exceed 100 therms per summer month (April – November) or 250 therms per winter month (December – March) (prorated on a daily basis) \$0.5158

 - Tier II: All usage exceeding Tier I volumes but not exceeding 4,167 therms monthly (prorated on a daily basis) \$0.2573

 - Tier III: All usage exceeding 4,167 therms monthly (prorated on a daily basis) \$0.0840

- **Cost of Gas (per therm)**
 - Applicable to all usage Core Commodity Charge

USE PRIORITY:

Customers receiving service under this schedule shall have priority in the use of gas over customers served under other rate schedules, except Schedules 1 and 2 when there is curtailment or insufficient gas to supply the demands of all customers, and such customers shall be subject to discontinuance of service without notice in case of curtailment or threatened or actual shortage of gas in favor of customers under Schedules 1 and 2. The City shall not be liable for damages, which may be occasioned by the curtailment, discontinuance or shut off of such gas supply or service.

SPECIAL CONDITIONS:

- (1) At all locations where gas is furnished or used under this schedule, the customer must install separate meters to measure gas subject to a different schedule or schedules.
- (2) The Cost of Gas is defined in Special Condition 3 under Gas Rate Schedule 1 and the Core Commodity Charge is determined as set forth in Special Conditions 4 and 5 of Gas Rate Schedule 1.

For other applicable Special Conditions, refer to Special Conditions 6, 7, and 8 of Rate Schedule 1.

SCHEDULE 4

LARGE COMMERCIAL AND INDUSTRIAL

Applicable to commercial and industrial service to customers with annual consumption in excess of 250,000 therms based on the customer's prior calendar year consumption, or estimated annual consumption for new customers, as set forth in Section 15.36.050 of the Municipal Code.

RATES:

- . **Daily Service Charge per Meter** \$11.5069

- . **Transmission Charge (per therm)**
 - Tier I: 0 – 20,833 therms \$0.2097
 - Tier II: 20,834 – 83,333 therms \$0.1478
 - Tier III: 83,334 – 166,667 therms \$0.1076
 - Tier IV: Over 166,667 therms \$0.0847

- . **Cost of Gas (per therm)**
 - Applicable to all usage Non-Core Commodity Charge

USE PRIORITY:

Service under this schedule shall have priority in the use of gas over customers served under other rate schedules, except Schedules 1, 2, 3, and 5 when there is curtailment or insufficient gas to supply the demands of all customers, and such customers shall be subject to discontinuance of service without notice in case of curtailment or threatened or actual shortage of gas in favor of customers under Schedules 1, 2, 3, and 5. The City shall not be liable for damages, which may be occasioned by the curtailment, discontinuance or shut off of such gas supply or service.

SPECIAL CONDITIONS:

- (1) At all locations where gas is furnished or used under this schedule, the customer must install separate meters to measure gas subject to a different schedule or schedules.
- (2) Gas supplied under this schedule shall be subject to shutoff of service without notice to the customer in the event of nonpayment exceeding fifteen (15) days from the date of mailing of a statement to the customer.
- (3) Long Beach Gas & Oil's (LBGO) cost of gas is defined as an amount equal to LBGO's 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 LBGO's natural gas requirements, as well as the cost for any financial transactions implemented to reduce market exposure for the cost of gas. The gas purchased will be comprised of any one or combination of three increments of supply as follows:
 - (a) Interstate supplies delivered into the Southern California Gas (SoCalGas) intrastate pipeline system without consideration of SoCalGas (or any other intrastate pipeline company providing similar services) pipeline transportation and other system costs associated with intrastate delivery to the City of Long Beach (City);
 - (b) Gas storage withdrawals; and
 - (c) Any local gas delivered directly into LBGO's pipeline system.
- (4) The Non-Core Commodity Charge under this Schedule will be determined on a monthly basis and shall equal LBGO's projected cost of gas. There will be no markup to the customer above LBGO's actual cost of gas as determined by actual expenditures, but not including any discounts or rebates.
- (5) The cost of all gas purchased by LBGO shall be assigned to either the Core or Non-Core Commodity Charge according to the price of each increment. The Non-Core demand (Rates Schedules 4 and 7) shall be met with sufficient volumes of the highest cost increment(s) of gas.
- (6) All Customers eligible for service under this Schedule, may at any time elect to switch to Schedule 9 in order to procure their own gas at a possible savings by entering into a written Transportation/Service Agreement with the City.

For other applicable Special Conditions, refer to Special Conditions 6, 7, and 8 of Rate Schedule 1.

SCHEDULE 5

COMPRESSED NATURAL GAS

Applicable to the sale of natural gas to customers who use Compressed Natural Gas (CNG) as a motor vehicle fuel, as set forth in Section 15.36.060 of the Municipal Code.

RATES:

CNG Service through a Dedicated Meter

- . Daily Service Charge \$0.4274
- . Transmission Charge (per therm)
 - Compressed: All usage when compression is performed by utility \$1.0292
 - Uncompressed: All usage when compression is performed by customer \$0.0629

Residential and CNG Service through a Single Common Meter

- . Daily Service Charge \$0.3288
- . Transmission Charge (per therm)
 - Uncompressed: All usage when compression is performed by customer \$0.1930

Cost of Gas (per therm)

Applicable to all usage

Core Commodity Charge

Upon recommendation by the Director of the Long Beach Gas & Oil Department, the City Manager may adjust the amount of the Cost of Gas a maximum of 10% above or below the stated Cost of Gas to reflect current changes in market conditions.

The customer's Cost of Gas is subject to adjustment for the payment of any local, state, or federal taxes, fees, or other charges, which may be imposed on such sales or services.

USE PRIORITY:

Customers receiving service under this schedule shall have priority in the use of gas over customers served under other rate schedules except Schedules 1, 2, and 3 when there is curtailment or insufficient gas to supply the demands of all customers, and such customers shall be subject to discontinuance of service without notice in case of curtailment or threatened or actual shortage of gas in favor of customers under Schedules 1, 2, and 3. Customers receiving CNG and Residential service through a single common meter shall retain the priority established under Schedule 1. The City shall not be liable for damages, which may be occasioned by the curtailment, discontinuance or shut off of such gas supply or service.

SPECIAL CONDITIONS:

- (1) At all locations where gas is furnished or used under this schedule, the customer must install separate meters to measure gas subject to a different schedule or schedules, except that customer may elect to receive both Residential and CNG service through a single meter at the rates set in this schedule.
- (2) If customer elects to receive both Residential and CNG service through a single meter the specific amounts of gas supplied for each service will be indeterminable, and customer therefore agrees to pay the Utility Users Tax on the full amount of gas supplied through the single common meter and applicable charges.
- (3) Establishment of service under this schedule is subject to initial and periodic verification of an installed natural gas vehicle (NGV) home refueling appliance at customer's address, and proof of a current NGV registration or lease listing customer's address.
- (4) The owner of any vehicle obtaining or attempting to obtain CNG fuel from a fueling station on City property shall be liable for any and all damages to CNG pumps or adjacent City property while refueling or attempting to refuel. Customers shall pay all damages within 30 days from the time billed by the City. If any damage amount is disputed within 15 days from the billing date, Customer shall provide a request in writing setting out the disputed amount and request for an adjustment, including any proof substantiating same, and shall deliver this to the Director of the LBGO for a determination, which shall be made in writing. Thereafter, the Customer may appeal the Director's determination to the City Council within 30 days of receipt of determination.
- (5) The Cost of Gas is defined in Special Condition 3 under Gas Rate Schedule 1 and the Core Commodity Charge is determined as set forth in Special Conditions 4 and 5 of Gas Rate Schedule 1.

For other applicable Special Conditions, refer to Special Conditions 6, 7, and 8 of Rate Schedule 1.

SCHEDULE 7

ELECTRIC GENERATION

Applicable to service of customer's gas used for the production of electrical energy.

RATES:

• **Daily Service Charge per Customer**

For Customers using less than 3 million therms per year	\$1.6438
For Customers using 3 million therms or more per year	No Charge

• **Transmission Charge (per therm)**

For Customers using less than 3 million therms per year	\$0.0636
For Customers using 3 million therms or more per year	\$0.0331

• **Cost of Gas (per therm)** Non-Core Commodity Charge Plus a Surcharge of \$0.0500

Upon recommendation by the Director of LBGO, the City Manager, subject to approval of City Council, may adjust on a case-by-case basis the amount of the surcharge in the Cost of Gas per therm a maximum of \$0.03 above or below the stated surcharge rate to reflect current changes in market conditions. Notice of the upcoming monthly surcharge amount will be posted at LBGO at least 15 days before the beginning of each month and will also be available from LBGO by telephone or facsimile upon request. The Non-Core Commodity Charge will be posted at LBGO within 10 days after the end of each month and will also be available from the LBGO website www.lbgo.org as well as by telephone or facsimile upon request.

USE PRIORITY:

Customers receiving service under this schedule shall have priority in the use of gas equal to customers served under Rate Schedule 9 and lower than Rate Schedules 1, 2, 3, 4, and 5, when there is curtailment or insufficient gas to supply the demands of all customers, and such customers shall be subject to discontinuance of service without notice in case of curtailment or threatened or actual shortage of gas in favor of customers under Schedules 1, 2, 3, 4, and 5. The City shall not be liable for damages which may be occasioned by the curtailment, discontinuance or shut off of such gas supply or service.

SPECIAL CONDITIONS:

- (1) At all locations where gas is furnished or used under this schedule, the customer must install separate meters to measure gas subject to a different schedule or schedules.
- (2) Gas supplied under this schedule shall be subject to shutoff of service without notice to the customer in the event of nonpayment exceeding 15 days from the date of mailing of a statement to the customer.
- (3) Gas transported and delivered under this schedule shall be used only by the customer.
- (4) Gas transported and delivered under this schedule shall be supplied at standard delivery pressure. Additional costs to serve a customer at higher than standard delivery pressure shall be borne by the customer.
- (5) Gas supplied under this schedule is only available for the electric generation portion of the customer's gas purchases.
- (6) As a condition precedent to service under this schedule when customer elects to procure its own gas supply, a separate Transportation/Service Agreement with the City must be executed. The Transportation/Service Agreement shall specify the terms and conditions applicable to service under this schedule. Any costs including modifications or new facilities that may be required to provide the transportation service shall be paid for in advance by the customer.
- (7) Any additional transmission costs, surcharges or penalties incurred by LBGO on behalf of these customers will be passed through to the customer at cost.
- (8) Customer may elect to purchase all of its gas commodity from the LBGO if customer does the following: a) maintains a deposit with LBGO for the remaining term of the Agreement in an amount equal to the average of two months of gas commodity and transportation charges, b) customer advises LBGO 10 days before the initial month that the customer elects to purchase all of its gas from LBGO for the remaining term of the Agreement, and c) customer pays as agreed upon receipt of the monthly bill and is not delinquent in any prior month's billing.
- (9) The Cost of Gas is defined in Special Condition 3 under Gas Rate Schedule 4 and the Non-Core Commodity Charge is determined as set forth in Special Conditions 4 and 5 of Gas Rate Schedule 4.

For other applicable Special Conditions, refer to Special Conditions 6, 7, and 8 of Rate Schedule 1.

SCHEDULE 9

TRANSPORTATION AND EXCHANGE OF NATURAL GAS SERVICE

Applicable to natural gas procured by commercial/industrial customers with annual consumption in excess of 250,000 therms based on the customer's prior calendar year consumption, or estimated annual consumption for new customer, transported or exchanged by LBGO for the customer under Section 15.36.080 of the Municipal Code.

RATES:

• Daily Service Charge per Customer	\$11.5069
• Transmission Charge (per therm)	
Tier I: 0 – 20,833 therms	\$0.1597
Tier II: 20,834 – 83,333 therms	\$0.0978
Tier III: 83,334 – 166,667 therms	\$0.0576
Tier IV: Over 166,667 therms	\$0.0347

USE PRIORITY:

Service under this schedule provides transportation and delivery of customer-procured compatible pipeline quality gas from designated receipt points to customer premises.

Customers receiving service under this schedule shall have priority in the use of gas equal to customers served under Rate Schedule 7, and lower than Rate Schedules 1, 2, 3, 4, and 5, when there is curtailment or insufficient gas to supply the demands of all customers, and such customers shall be subject to discontinuance of service without notice in case of curtailment or threatened or actual shortage of gas in favor of customers under Schedules 1, 2, 3, 4, and 5. The City shall not be liable for damages which may be occasioned by the curtailment, discontinuance or shut off of such gas supply or service.

SPECIAL CONDITIONS:

- (1) As a condition precedent to service under this schedule, a separate Transportation/Service Agreement must be executed. The Transportation/Service Agreement shall specify the terms and conditions applicable to service under this schedule. Also, customer may be required to pay a deposit equivalent to two times the customer's estimated average monthly billing.
- (2) Any costs including modifications or new facilities that may be required to provide the transportation service shall be paid in advance by the customer.
- (3) Gas transported under this schedule shall be used only by the customer and such gas may not be sold, transported, assigned, distributed, exchanged, or otherwise transferred to benefit another customer or provide non-municipal natural gas to any natural gas user, transporter or consumer within the City.
- (4) At all locations where gas is furnished or used under this schedule, the customer must install separate meters to measure gas subject to a different schedule or schedules. The customer will be required to pay for the installation and cost of electronic meter reading equipment and monthly charges associated with such equipment.
- (5) These rates do not apply to services provided by SoCalGas operating under franchise with the City.
- (6) Any additional transmission costs or surcharges incurred by the City on behalf of these customers will be passed through to the customer at cost.

EXHIBIT "A"

SCHEDULE 1 – RESIDENTIAL

SPECIAL CONDITIONS: **ADDITIONAL DAILY BASELINE THERM ALLOWANCE FOR PERSONS WITH CERTAIN MEDICAL CONDITIONS – EFFECTIVE JULY 1, 1997**

As required by City of Long Beach Municipal Code, Chapter 15.36.020 Section D.3, Schedule 1 – Residential Customers, an additional daily baseline allowance of .822 therms shall be allowed to a residential customer using gas for space heating and/or daily use of natural gas-operated life support equipment under the following definitions and conditions:

1. Definitions:

"Hemiplegic" means paralysis of one lateral half of the body or part of it.

"Life support equipment" means that equipment which utilizes mechanical or artificial means to sustain, restore, or supplant a vital function. It is life support equipment that requires daily use of natural gas for functioning of the medical equipment. Life support equipment does not include apparatus or appliances used in a hospital or medical clinic, nor does it include therapeutic devices such as pool or tank heaters, saunas, or hot tubs.

"Life threatening illness" means a severe medical condition that requires additional space heating which is medically necessary to sustain the life of the person or prevent deterioration of the person's medical condition.

"Paraplegic" means paralysis of the lower half of the body.

"Quadriplegic" means paralysis of both arms and both legs.

"Residential customer" means a customer or person residing with a customer receiving gas service under Schedule 1 including service to residential dwelling units and mobile home units; but excluding industrial, commercial and every other category of customer (including rooming or boarding houses, rest homes, dormitories, convalescent or care facilities, military barracks, hospitals, stores, restaurants, and other similar establishments; or central heating plants serving a combination of residential and commercial uses).

2. A person who is permanently residing at the service address is or has one or more the following medical conditions: (i) has emphysema and requires positive pressure breathing apparatus, (ii) has had pneumonia three (3) or more times in twelve (12) months as a result of a chronic illness, (iii) has paralysis of two (2) or more limb extremities, or has multiple sclerosis, (viii) scleroderma, or (xi) is being treated for a life-threatening illness, or (x) has a compromised system.
3. To qualify for the additional baseline therm allowance, a person with one or more of the medical conditions in paragraph 2, shall file an application with the Commercial Services Bureau (the "Bureau"), upon a form supplied by the Bureau. The applicant shall recite facts under oath on the form which qualify the applicant for the additional baseline therm allowance. The application shall also require a licensed physician or osteopath to certify under oath on the form, the existence of one or more of the medical conditions described in paragraph 2 above.
4. The Bureau shall review all such applications and certify those applicants determined to qualify for the additional therm allowance. The additional therm allowance shall not be retroactive prior to the date of certification of the application by the Bureau. All eligible applications shall continue and be renewed automatically by the Bureau so long as the prerequisite facts supporting the initial qualification for medical conditions shall continue, provided, however, that the Bureau shall have the discretion to review and request additional certification of a medical condition annually or as determined necessary by the Bureau. A customer's additional baseline therm allowance shall terminate automatically with any change in customer, service address or residence. Any individual qualifying for the additional baseline therm allowance, or the customer in whose name service is billed, if different from the applicant, shall notify the Commercial Services Bureau within ten (10) days of any change in fact or circumstances which might disqualify the residential customer from receiving such additional baseline therm allowance.
5. It shall be a misdemeanor for any person to knowingly provide false information in an application or to knowingly receive the benefits of the additional baseline therm allowance for a medical condition provided herein when the basis for such benefit either does not exist or ceases to exist.

EXHIBIT "B"

GAS EQUIPMENT INCENTIVES

Applicable to gas equipment incentives pursuant to Section 15.36.095 of the Municipal Code:

In order to assist customers in determining the feasibility of natural gas energy and the potential benefits of natural gas equipment, the Long Beach Gas & Oil Department will offer to all qualifying customers, subject to the availability of funds, incentives for the cost of feasibility studies and/or the purchase of new or replacement commercial or industrial gas equipment to be installed and used by customers for energy-efficiency purposes.

A. Program Objectives:

1. Persuade existing nonresidential customers to install new gas equipment to reduce their overall energy costs and thereby increase their productivity and profitability.
2. Encourage the placement of new businesses into the Long Beach area by offering incentives comparable to incentives offered by other utilities in the Southern California area.
3. Demonstrate that nonresidential gas equipment is a cost competitive alternative to electric technologies.
4. Increase the amount of nonresidential gas usage during the off-peak summer to reduce average operating costs by balancing the system load.
5. Improve the Long Beach Gas & Oil Department's long-term revenue by offering incentives only to customers with projects, which contribute a positive cash flow to the City with a reasonable payback period balanced against the actual amount of the incentive.

B. Customer Application

Customers shall file a written application with the Director of the Long Beach Gas & Oil Department on forms provided by the City. The application shall include:

1. The name and address of the applicant,
2. The type of gas equipment being considered for purchase/replacement,

3. The size or capacity of the equipment and the volume of expected natural gas consumption,
4. The applicant's forecasted payback period,
5. The applicant's forecast of time for implementation of studies or gas equipment purchases,
6. Estimates of cost of feasibility studies,
7. Estimates of cost of natural gas equipment,
8. Profit/loss statements or other relevant financial data as requested.

C. Customer Selection

The customer's application will be evaluated by the Director of the Long Beach Gas & Oil Department based upon the following criteria:

1. The information provided by the customer on the application,
2. The applicant's willingness to share relevant data and provide access to the facility,
3. The applicant's forecasted time requirements,
4. Any prior equipment incentives provided by the Long Beach Gas & Oil Department to the applicant,
5. Public policy considerations,
6. The availability of funds,
7. The balance of the cost of the incentive against the long-term benefits provided by related incremental gas sales.

SPECIAL CONDITIONS:

- (1) As a condition precedent to granting an incentive, a separate Equipment Incentive/Feasibility Study Agreement must be executed and approved by the City Council. The Equipment Incentive/Feasibility Study Agreement shall specify the terms and conditions applicable to incentives under this program.
- (2) These incentives do not apply to services provided by the Southern California Gas Company operating under franchise with the City.