



March 4, 2008

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute Schedule I of the Master Services Agreement between Southern California Gas Company and the City of Long Beach, titled Transaction-Based Storage Service Agreement, for storage capacity rights in amounts sufficient to meet the maximum forecasted needs of the City's core customers commencing April 1, 2008 through March 31, 2009. (Citywide)

DISCUSSION

The Long Beach Gas & Oil Department (LBGO) maintains an agreement with Southern California Gas Company (SoCalGas) to retain natural gas storage capacity rights in a local storage basin. With this agreement, LBGO is able to maintain a reserve of natural gas, which provides supply reliability to LBGO's core customers, including its residential and small commercial/industrial customers, in case of disaster or supply shortages. This reserve also allows LBGO to potentially save money for its customers on the cost of natural gas. The natural gas is purchased and injected into the reserve during the summer months, when gas is historically less expensive, and withdrawn in the winter months, when gas is historically more expensive. The storage agreement is available only through SoCalGas and is procured through SoCalGas by way of a Capacity Set Aside Agreement.

The previous storage agreement with SoCalGas was approved by the City Council on January 16, 2007. The agreement commenced on April 1, 2007, and will expire March 31, 2008. The new storage agreement will be for a one-year term, beginning on April 1, 2008, and ending on March 31, 2009. The annual cost of the storage rights will be \$1,216,851. This is \$111,149, or approximately 8 percent, less than the previous agreement cost of \$1,328,000. The new storage agreement increases capacity from 800,000 decatherms to 1,092,289 decatherms, for an approximate increase of 37 percent, to meet the projected maximum needs of the City's core customers. Through negotiations with SoCalGas, LBGO will now receive the same pro rata rate paid by SoCalGas and San Diego Gas & Electric for storage.

HONORABLE MAYOR AND CITY COUNCIL

March 4, 2008

Page 2

This matter was reviewed by Deputy City Attorney Richard Anthony and Budget Management Officer Victoria Bell on February 6, 2008.

TIMING CONSIDERATIONS

The current Transaction-Based Storage Service Agreement will expire March 31, 2008. City Council approval is requested on March 4, 2008 to enter into a new one-year agreement for storage capacity rights to commence April 1, 2008.

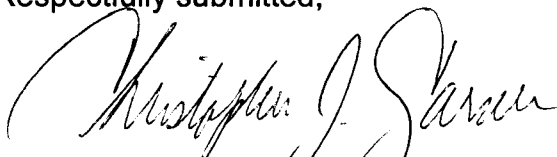
FISCAL IMPACT

The cost of the new agreement is \$1,216,851 and is budgeted in the Gas Fund (EF 301) and in the Long Beach Gas & Oil Department (EN). The cost of the agreement will be recovered through LBGO gas customer rates.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH GAS AND OIL

CJG: djb
COUNCIL LETTER STORAGE AGREEMENT 2008C

APPROVED:



PATRICK H. WEST
CITY MANAGER