

CHRISTOPHER J. GARNER
DIRECTOR

January 11, 2005

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
CaliforniaSUBJECT: Base Contract for Sale and Purchase of Natural Gas Between the City of Long Beach and Southern California Gas Company (Citywide)**DISCUSSION**

On February 26, 1991, under the authority of Resolution C-25004, the City Council authorized the City Manager to negotiate and enter into contracts for the purchase and delivery of out-of-state natural gas supplies, on an interim basis, based upon competitive proposals instead of sealed bids.

Each month, Southern California Gas Company (SoCalGas) has storage gas available for purchase at a negotiable price. The Base Contract for Sale and Purchase of Natural Gas Contract (Contract) would allow the City of Long Beach (City) to bid for and purchase additional natural gas from SoCalGas, as needed. The Contract would also allow Long Beach Energy to sell to SoCalGas its surplus natural gas.

The Contract is an industry-standard contract and has been used industry-wide for several years. The Contract incorporates by reference, for all purposes, the General Terms and Conditions for Sale and Purchase of Natural Gas Published by the North American Energy Standards Board (NAESB). This is an open-ended Contract with no specific termination date; however, the Contract may be terminated on 30 days' written notice by either party.

This matter was reviewed by Deputy City Attorney Richard Anthony and Budget Management Officer David Wodynski on December 21, 2004.

TIMING CONSIDERATIONS

City Council action on this item is requested on January 11, 2005, to purchase additional gas supplies at a lower price than would be otherwise available.

FISCAL IMPACT

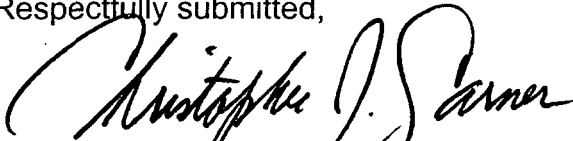
The fiscal impact is unknown at this time, due to the fact that the cost of gas purchased or sold under this Contract will change monthly according to industry publication of recorded gas prices. Ultimately, this Contract could reduce expenditures to the City by giving the City the ability to negotiate a price with SoCalGas when additional natural gas supplies are needed. It may also result in a possible increase in revenue if SoCalGas purchases the City's excess gas at a price higher than what was originally paid for said gas.

The cost for any purchases made under the Contract is budgeted in the Long Beach Energy Department (EN) and the Gas Fund (EF301).

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Authorize the City Manager to execute the Base Contract for Sale and Purchase of Natural Gas between SoCalGas and the City of Long Beach.

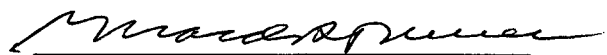
Respectfully submitted,



CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH ENERGY AND OIL PROPERTIES

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APPROVED:



GERALD R. MILLER
CITY MANAGER