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**C-5**

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October 21, 2008

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

RECOMMENDATION:

Recommendation to authorize the City Manager to execute a settlement agreement and all other necessary documents to settle the City of Long Beach's (City) challenge to the Southern California Gas Company's (SoCalGas) Biennial Cost Allocation Proceeding (BCAP) before the California Public Utilities Commission (CPUC).

DISCUSSION:

The BCAP is a proceeding before the CPUC pursuant to which SoCalGas seeks approval of proposed rates and allocation of certain costs. SoCalGas prepares and distributes a proposed rate package and various impacted parties, including the City, can challenge elements of the rate package to which they object.

The City challenged SoCalGas's proposal to set aside natural gas storage capacity for supply reliability purposes at low rates for SoCalGas residential and small commercial customers as well as for its sister utility San Diego Gas & Electric, while setting aside no storage capacity for the City's gas utility and its similar customers. The City would be forced to compete in an auction for storage capacity with large customers such as Shell and Occidental, likely significantly increasing the price paid by the City for storage capacity and subsequently increasing the cost of gas to the City's gas utility customers, or in the worst case scenario, obtaining no storage capacity for the City's gas customers.

The City, represented by its outside counsel Davis Wright and Tremaine LLP, and SoCalGas have agreed in principle to a settlement which would set aside an acceptable amount of storage capacity for the City at the same low rates which SoCalGas charges itself and its affiliates. SoCalGas has also agreed to provide the City with some flexibility to adjust its storage capacity up and down in accordance with the projected needs of the City.

The Economic Development and Finance Committee approved the proposed settlement on October 7, 2008.

**SUGGESTED ACTION:**

Approve recommendation.

Respectfully submitted,

ROBERT E. SHANNON, City Attorney

By

A handwritten signature in black ink, appearing to read 'RFA', written over a horizontal line.

Richard F. Anthony,  
Deputy City Attorney