



January 16, 2007

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, 2007 through March 31, 2008. (Citywide)

DISCUSSION

The Long Beach Gas and 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and injected into the reserve during the summer months, when gas is historically less expensive, and consequently withdrawn in the winter months, when gas is historically more expensive.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 competitive auction.

The previous storage agreement with SoCalGas was approved by the City Council on February 3, 2004. That agreement commenced on April 1, 2004, and will expire on March 31, 2007. The new storage agreement will be for a one-year term, beginning on April 1, 2007 and ending on March 31, 2008. The annual cost of the storage rights will be \$1,328,000. This is a \$430,000, or 47 percent, increase in cost over the previous agreement due to increased demand for the storage capacity.

This matter was reviewed by Deputy City Attorney Richard Anthony on December 28, 2006 and Budget Management Officer David Wodynski on December 29, 2006.

HONORABLE MAYOR AND CITY COUNCIL
January 16, 2007
Page 2

TIMING CONSIDERATIONS

The current Transaction-Based Storage Service Agreement will expire on March 31, 2007. City Council approval is requested on January 16, 2007 to enter into a new one-year Agreement for storage capacity rights to commence April 1, 2007.

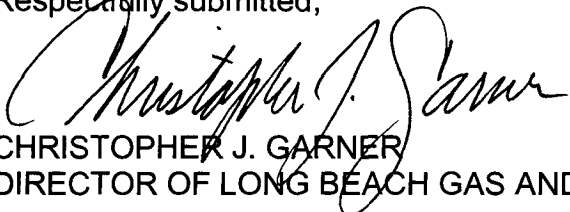
FISCAL IMPACT

The cost of the new agreement is \$1,328,000 and is budgeted in the Gas Fund (EF 301) and in the Long Beach Gas and 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: JC: JT
COUNCIL LETTER STORAGE AGREEMENT 2007c

APPROVED:


GERALD R. MILLER
CITY MANAGER