



March 8, 2011

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

**RECOMMENDATION:**

Authorize the City Manager to execute Schedule I, Transaction Based Storage Service Agreement, which is an attachment to the long-term Master Services Contract between the City and the Southern California Gas Company for natural gas storage capacity rights. (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 SoCalGas' regional storage basins. This agreement allows LBGO to maintain a reserve of natural gas, for added supply reliability for LBGO's core customers, including its residential and small commercial/industrial customers in case of supply shortages from unexpected events. A storage reserve also provides LBGO the potential to save money for its customers on the cost of natural gas. Natural gas is purchased and injected into storage during the summer months, when gas is historically less expensive, and withdrawn in the winter months, when gas is historically more expensive.

On January 18, 2000, the City Council authorized the City Manager to execute a long-term Master Services Contract (No. 26729) between the City and SoCalGas. The Master Services Contract states that the term of the Contract shall continue for the term in any other service schedule attached from time to time. The previous Schedule I storage agreement with SoCalGas was approved by the City Council on March 16, 2010. The current storage agreement will expire March 31, 2011. The new storage agreement will be for a one-year term, beginning on April 1, 2011, and ending on March 31, 2012. A 2008 settlement agreement approved by the Public Utilities Commission set the storage reservation rates charged to LBGO equal to those paid by the core customers of SoCalGas and San Diego Gas & Electric through 2014. The reservation quantities will remain unchanged from last year. The contract also continues a variable charge on actual monthly injection and withdrawal volumes set by the SoCalGas G-TBS

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March 8, 2011

Page 2

Tariff posted online that is subject to change during the contract term with approval of the California Public Utilities Commission.

This matter was reviewed by Deputy City Attorney Richard Anthony on February 8, 2011, and by Budget Management Officer Victoria Bell on February 10, 2011.

TIMING CONSIDERATIONS

The current Schedule I, Transaction Based Storage Service Agreement expires March 31, 2011. City Council action is requested on March 8, 2011, to enter into a new one-year Schedule I agreement for natural gas storage capacity rights to commence April 1, 2011.

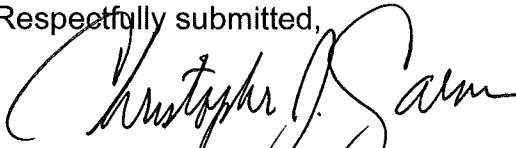
FISCAL IMPACT

Gas storage costs are estimated to be \$545,000 during Fiscal Year 2011 and are budgeted in the Gas Fund (EF 301) and the Long Beach Gas & Oil Department (GO). The requested action will not have an impact on local jobs.

SUGGESTED ACTION:

Approve recommendation.


Respectfully submitted,



CHRISTOPHER J. GARNER  
DIRECTOR OF LONG BEACH GAS & OIL

CJG:CPH:dgs

APPROVED:



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PATRICK H. WEST  
CITY MANAGER