



March 16, 2010

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gas is purchased and injected into storage during the summer months, when gas is historically less expensive, and withdrawn in the winter months, when gas is historically more expensive.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 4, 2008. The current storage agreement will expire March 31, 2010. The new storage agreement will be for a one-year term, beginning on April 1, 2010, and ending on March 31, 2011. 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. As a result, annual reservation charges in the new Schedule I are being reduced by approximately \$518,500, or 49 percent, while reservation quantities will remain unchanged. The

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March 16, 2010

Page 2

contract also continues a variable charge on actual monthly injection and withdrawal volumes set by the SoCalGas G-TBS 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 22, 2010, and by Budget Management Officer Victoria Bell on February 23, 2010.

TIMING CONSIDERATIONS

The current Schedule I, Transaction Based Storage Service Agreement expires March 31, 2010. City Council action is requested on March 16, 2010, to enter into a new one-year Schedule I agreement for natural gas storage capacity rights to commence April 1, 2010.

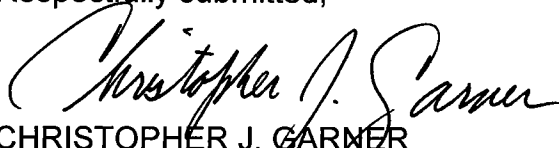
FISCAL IMPACT

Gas storage costs were estimated to be \$1,078,930 during Fiscal Year 2010 and are budgeted in the Gas Fund (EF 301) and the Long Beach Gas and Oil Department (EN). An estimated savings of as much as \$259,250 to the Gas Fund may be realized this fiscal year under the new contract rates, and will be utilized to support funding of long-term infrastructure and pipeline replacement projects.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

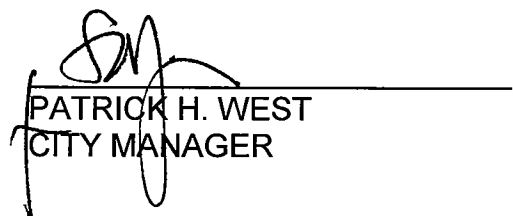


CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH GAS & OIL

CJG:CPH:dgs

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APPROVED:



PATRICK H. WEST
CITY MANAGER