



February 21, 2012

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute a new Schedule I, Transaction Based Storage Service Agreement, as part of 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 and 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 during periods of sharp increases in demand and supply shortages from unexpected events. Storage inventory represents approximately 7 percent of annual LBGO gas sales.

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 current Schedule I storage agreement will expire March 31, 2012. The new storage agreement will be for a one-year term, beginning on April 1, 2012, and ending on March 31, 2013. 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 agreement includes a provision for variable charges on actual monthly injection and withdrawal volumes set by the SoCalGas G-TBS Tariff posted online that is subject to change during the agreement term with approval of the California Public Utilities Commission.

This matter was reviewed by Deputy City Attorney Richard Anthony on January 25, 2012, and by Budget Management Officer Victoria Bell on January 26, 2012.

TIMING CONSIDERATIONS

The current Schedule I, Transaction Based Storage Service Agreement expires March 31, 2012. City Council action is requested on February 21, 2012, to allow staff sufficient time to finalize all required documents and ensure continued access to natural gas storage capacity.

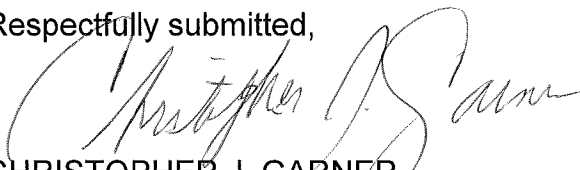
FISCAL IMPACT

Gas storage service costs are estimated to be \$568,000 through FY 12 and \$577,000 for the contract term, and are included as part of the gas transportation fees charged to customers. The amount is budgeted in the Gas Fund (EF 301) and the Long Beach Gas and Oil Department (GO). There is no impact to local jobs.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH GAS AND OIL

CJG:CAB:dgs

APPROVED:



PATRICK H. WEST
CITY MANAGER