

CHRISTOPHER J. GARNER
DIRECTOR

March 15, 2005

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California**RECOMMENDATION:**

Authorize the City Manager to enter into a Direct Access Recovery Non-Disclosure Agreement with Utility Resource Management Group, Inc. to provide utility cost containment information and materials relating to Direct Access electricity refunds and/or settlements. (Citywide)

DISCUSSION

Between September 1998 and January 2001, the City of Long Beach contracted with New West Energy for a discounted electric commodity supply for all 1,400 City electric accounts in accordance with the Direct Access provisions of Assembly Bill 1890, which authorized the restructuring of California's electric utility.

In December 2000, New West Energy notified the City that, due to the volatility of the electricity market and financial losses sustained in providing electricity to the City, it was suspending Direct Access service to the City. The City returned to Southern California Edison (SCE) as a bundled service customer in February 2001. On September 20, 2001, the California Public Utilities Commission (CPUC) suspended Direct Access service altogether. On May 7, 2003, the CPUC Decision 03-05-034 adopted rules permitting Direct Access customers who returned to bundled utility service the option to switch back to Direct Access service.

Due to the City's emphasis on cost savings, the Long Beach Energy Department (LBE) investigated the possibility of future electricity commodity cost savings for the City's largest electric accounts and determined that the City should return to Direct Access service.

On April 19, 2004, the City entered into an electric supply agreement with Sempra Energy Solutions for the purchase of electric power supplies and related energy services, to supply all electricity for the 29 largest City electric accounts for an initial term of 12 months.

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Utility Resource Management Group, Inc. (URM) approached LBE as a cost containment specialist. URM proposed to supply LBE particular information relating to various strategies, recommendations and analysis relating exclusively to Direct Access electricity refunds and/or settlements that were possibly available to the City.

URM provides the services on a 50 percent shared savings basis. There is no long-term contract and no financial risk to the City of Long Beach.

This matter was reviewed by Deputy City Attorney Richard Anthony on February 25, 2005 and Budget Management Officer David Wodynski on March 2, 2005.

TIMING CONSIDERATIONS

City Council action on this item is requested on March 15, 2005, to ensure the opportunity to recover refunds does not elapse.

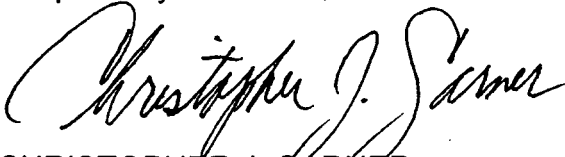
FISCAL IMPACT

The cost of URM services will be dependent upon and fully offset by settlement revenues, should opportunities arise. There is no fiscal impact associated with the suggested action.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH ENERGY AND OIL PROPERTIES

CJG: JC
C:\CCL03-15-05 AGREEMENT WITH URM

APPROVED:



GERALD R. MILLER
CITY MANAGER