

C-3

April 21, 2020

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute the 2020 Long Beach Tidelands Dry Gas Agreement with the California State Lands Commission for the wholesale market value of the Tidelands dry gas. (Citywide)

DISCUSSION

Pursuant to State law in Chapter 29, Statutes of 1956, First Extraordinary Session, the City of Long Beach (City) must receive into its gas system all Long Beach Tidelands (Tidelands) dry gas that it can economically utilize and the City must pay to the California State Lands Commission (State) the reasonable wholesale market value of Tidelands dry gas. The reasonable wholesale market value of such gas must be determined, from time to time, jointly by the City and the State.

To better reflect current market conditions, the 2020 Long Beach Tidelands Dry Gas Agreement (Agreement) for Tidelands gas was reached through negotiations for the City to pay the State the "SoCal Border" price index (\$/MMBtu), *as reported by Inside FERC's Gas Market Report*.

The Agreement will be effective retroactive to February 1, 2019. The City or the State may demand a renegotiation of this Agreement in the future and, if a new price is agreed upon, the price will be adjusted retroactively to reflect the newly established price from 30 days after the date of the notice demanding a price renegotiation.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on March 25, 2020 and by Revenue Management Officer Geraldine Alejo on April 2, 2020.

TIMING CONSIDERATIONS

City Council action is requested on April 21, 2020, prior to the State Lands Commission's meeting to vote on this Agreement on April 29, 2020.

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FISCAL IMPACT

The Agreement establishes that the City will directly pay the State at the "SoCal Border" price and will ensure that the City continues to purchase its Tidelands dry gas at a low cost. Funding to support the Agreement is appropriated in the Tidelands Oil Revenue, Uplands Oil, and Gas Fund Groups in the Energy Resources Department. The ongoing savings from the Agreement will continue to benefit operations within these funds. This recommendation has no staffing impact beyond the normal scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



ROBERT M. DOWELL
DIRECTOR OF ENERGY RESOURCES

APPROVED:



THOMAS B. MODICA
ACTING CITY MANAGER