

March 5, 2019

HONORABLE MAYOR AND CITY COUNCIL

City of Long Beach

California

**RECOMMENDATION:**

Authorize the City Manager, or designee, to execute a new Schedule I, Transaction-Based Storage Service Agreement, as part of the long-term Master Services Contract between the City of Long Beach and the Southern California Gas Company, for natural gas storage capacity rights. (Citywide)

**DISCUSSION**

The Energy Resources Department (ER) maintains an agreement with Southern California Gas Company (SoCalGas) to retain natural gas storage capacity rights in SoCalGas' regional underground storage basins. Because the City of Long Beach (City) does not have above or below ground storage capacity, ER maintains a reserve of natural gas in SoCalGas' storage basins for added supply reliability during periods of sharp increases in demand and supply shortages caused by unexpected events. Storage inventories represent approximately 7 percent of annual ER gas sales.

On January 8, 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, as part of the Master Services Contract, will expire March 31, 2019. The new storage agreement will be for a one-year term, beginning April 1, 2019 and ending March 31, 2020. A 2008 settlement agreement approved by the California Public Utilities Commission (CPUC), and subsequently upheld, set the storage reservation rates charged to ER to be equal to those paid by core customers of SoCalGas and San Diego Gas and Electric.

The agreement sets a maximum inventory capacity, injection and withdrawal levels, and a provision for variable in-kind charges on actual monthly injection volumes through SoCalGas' G-TBS Tariff. Any charges and rates are subject to change during the term of agreement with approval of the CPUC.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on February 7, 2019 and by Budget Management Officer Rhutu Amin Gharib on February 12, 2019.

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TIMING CONSIDERATIONS

The current Schedule I, Transaction-Based Storage Service Agreement expires March 31, 2019. City Council action is requested on March 5, 2019, to ensure uninterrupted storage rights on the SoCalGas system.

FISCAL IMPACT

Gas storage service costs are estimated to be \$600,000 for the contract term and are included as part of the natural gas commodity charged to ER customers. The amount is budgeted in the Gas Fund (EF 301) in the Energy Resources Department (ER). There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

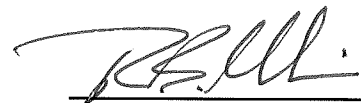
Approve recommendation.

Respectfully submitted,



ROBERT M. DOWELL  
DIRECTOR OF ENERGY RESOURCES

APPROVED:

  
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PATRICK H. WEST  
CITY MANAGER