



Legislation Text

File #: 08-0944, **Version:** 1

Recommendation to adopt resolution authorizing City Manager to implement Gas Rate Schedules 1 through 5, 7 and 9, and special conditions and incentives in Exhibits A and B. (Citywide)

The Long Beach Gas & Oil Department (LBGO) periodically reviews its gas utility rates and submits recommendations to the City Council to reflect similar rates charged by the Southern California Gas Company (SoCalGas) and other surrounding gas utilities pursuant to Long Beach Municipal Code Section 15.36.100 and City Charter Section 1502. The various components of a customer's gas bill include charges for daily service, transmission, and cost of natural gas. The daily service and transmission charges are compared to other gas utilities to ensure that LBGO is in compliance with the Municipal Code and City Charter. The commodity charges for all customer classifications reflect the actual fluctuating market price of natural gas along with any associated costs of receiving that gas. SoCalGas recently revised the transmission charges applicable to many of its customer categories.

After completing a detailed analysis, City staff recommends revising transmission rates for all residential and non-residential customers, effective for service received beginning October 1, 2008. The current difference in rates between LBGO and those charged by SoCalGas are minor, with LBGO's rates slightly higher than those of SoCalGas. Along with matching the transmission rates currently charged by SoCalGas, LBGO is also requesting an additional \$0.005/therm reduction in rates in anticipation of an October 1, 2008 SoCalGas rate reduction based on their new Firm Access Rights (FAR) program. The \$0.005/therm revenue reduction will be offset by a comparable cost savings, which LBGO will receive in discounted transmission rates as part of the FAR program.

At the request of the California Public Utilities Commission, SoCalGas is implementing a FAR program effective October 1, 2008. Under the FAR program, wholesale customers, including LBGO, receiving natural gas from the SoCalGas/SDG&E intrastate pipeline system are required to obtain firm and/or interruptible access rights at receipt points on that system. By obtaining FAR, and thereby reserving pipeline capacity, LBGO is ensured a flow of natural gas from the SoCalGas system to meet the demand of its customers. SoCalGas will charge LBGO \$0.005/therm for FAR that is reserved at a specific receipt point on their system. Concurrently, SoCalGas will reduce its transmission charges to LBGO by \$0.005/therm transported through its pipeline system, for an expected net zero impact to LBGO and its customers.

The proposed rate changes impact the transmission rates for all customer categories, but do not impact the service charge or commodity portions of the gas rates. The commodity charges for all customer classifications will continue to reflect the actual fluctuating monthly market price of natural gas along with any associated costs of receiving that gas, including the newly formulated FAR charges.

The proposed gas rate adjustments result in decreases in all rate categories, as reflected in the attached table (Attachment 1). These proposed rates mirror those of SoCalGas and include an

anticipated October 1, 2008 SoCalGas rate reduction for the FAR program.

In addition to adjustments in the gas rate schedules, Exhibits A and B concerning special conditions and incentives are included under this Resolution to be readopted.
There are no changes to Exhibits A and B.

This matter was reviewed by Deputy City Attorney Richard Anthony on August 28, 2008 and Budget Management Officer Victoria Bell on August 25, 2008.

City Council action is requested on September 16, 2008 in order to implement the gas rate changes effective for service received on or after October 1, 2008. The rate changes are intended to establish Long Beach gas utility service charges and transmission rates comparable with those of other like utilities pursuant to Section 1502 of the Long Beach City Charter.

A \$1.2 million decrease in annual revenues to the Gas Fund is anticipated. The decrease in revenue will be partially offset by a \$440,000 decrease in LBGO transmission charges due to SoCalGas's FAR program. The net expected financial impact to LBGO is \$760,000, which is primarily the result of matching LBGO customer rates to SoCalGas customer rates. The actual amount may vary since the amount of revenue received from these charges is dependent upon the demand for natural gas during the fiscal year.

Approve recommendation.

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH APPROVING
CHANGES TO THE SCHEDULE OF GAS RATES**

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APPROVED:

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