



Legislation Text

File #: 07-1201, **Version:** 1

Recommendation to adopt resolution authorizing City Manager to amend Gas Rate Schedules 1-10 to redefine the cost of gas and special conditions for City gas utility customers. (Citywide)

On August 21, 2007, the City Council approved the execution and implementation of a longterm natural gas commodity prepay agreement (Prepay Agreement). As a result, Long Beach Gas and Oil (LBGO) proposes to redefine the cost of gas and revise the special conditions associated with each rate, as established in the LBGO Gas Rate Schedule for all commodity customers. The proposed changes will not affect the actual gas rates applicable to LBGO's customers.

The proposed definition for cost of gas will be an amount equal to LBGO's weighted average cost per therm of gas supply purchased, necessary to meet the forecasted volume demand for the month. In addition, the cost of gas shall include the cost to administer the transportation, purchasing, remarketing, balancing, etc., of LBGO's natural gas requirements, as well as the cost for any financial transactions implemented to reduce market exposure for the cost of gas. The gas purchased will be comprised of anyone or combination of three increments of supply as follows:

- a) Interstate supplies delivered into the Southern California Gas (SoCalGas) intrastate pipeline system without consideration of SoCalGas (or any other intrastate pipeline company providing similar services) pipeline transportation and other system costs associated with intrastate delivery to the City of Long Beach (City);
- b) Gas storage withdrawals; and
- c) Any local gas delivered directly into LBGO's pipeline system.

These proposed changes would be effective for services received on and following the date on which the Prepay Agreement becomes effective, currently scheduled for November 1, 2007.

The proposed changes impact only the commodity portion of the gas rates and affect all gas rate schedules, with the exception of transportation customer rates 7 and 9 who do not purchase natural gas from LBGO.

This matter was reviewed by Deputy City Attorney Richard Anthony and by Budget Management Officer Victoria Bell on October 4, 2007.

City Council action is requested on October 16, 2007, so that the proposed changes will be in place and effective with the start date of the Prepay Agreement.

LBGO purchases approximately \$75 million of natural gas commodity annually on behalf of its customers. The costs associated with the natural gas purchases are budgeted in the Gas Fund (EF 301) and the Department of Long Beach Gas and Oil (EN).

Approve recommendation.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH APPROVING
CHANGES TO THE SPECIAL CONDITIONS ASSOCIATED WITH EACH GAS RATE

CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH GAS AND OIL

APPROVED:

PATRICK H. WEST
CITY MANAGER