

C-5

August 17, 2021

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute a Customer Natural Gas Transportation/Service Agreement with Equilon Enterprises, LLC, dba Shell Oil Products US, a Delaware limited liability Company (Equilon), for the transmission of Equilon-owned natural gas through the City of Long Beach pipeline system, for a period of five years, with automatic one-year renewal options. (Citywide)

DISCUSSION

Similar to other California natural gas utilities, the City of Long Beach, Energy Resources Department (ER), permits certain customer classifications to procure their natural gas supply from third-party marketers and use the City of Long Beach's (City) pipeline system to transport this gas to end-use facilities. Customers permitted to acquire natural gas supplies from third parties are primarily ER's largest customers and must be classified under Gas Rate Schedule 5 (Compressed Natural Gas), Schedule 7 (Electric Generation), or Schedule 9 (Transportation and Exchange). While these customers are not charged for the natural gas commodity, they are charged transmission rates that correspond to their rate classification.

On May 9, 2017, the City Council authorized the City Manager to execute Customer Natural Gas Transportation/Service Agreements with ten customers: National Gypsum, Long Beach Memorial Hospital, Toyota, Asphalt Products, American Textile, St. Mary's Hospital, Bloom Energy, California State University Long Beach, and two Home Depot stores (fuel cells). The proposed agreement with Equilon has similar terms and conditions as the previous agreements approved by City Council and has an initial term of five years, after which the agreement will renew automatically each year. Any party may terminate the agreement at any time by giving the other party 90-days prior written notice.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on July 19, 2021 and by Revenue Management Officer Geraldine Alejo on July 26, 2021.

TIMING CONSIDERATIONS

City Council action is requested on August 17, 2021, to establish a new Natural Gas Transportation/Service Agreement with Equilon.

FISCAL IMPACT

Transmission revenue received under this agreement will be deposited in the Gas Fund Group in the Energy Resources Department. Annual revenue is estimated at \$350,000 but will vary based on the Equilon's actual natural gas consumption. This recommendation has no staffing impact beyond the normal budgeted 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
CITY MANAGER