



May 24, 2016

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California**RECOMMENDATION:**

Authorize the City Manager, or designee, to execute a North American Energy Standards Board (NAESB) Base Contract Gas with GHI Energy, LLC, of Houston, TX, for the sale and purchase of natural gas to allow physical biogas transactions; and any amendments to agreements for natural gas services between Long Beach Gas and Oil and customers that operate natural gas fueling stations within the City. (Citywide)

DISCUSSION

Over the past century, human activities have released large amounts of carbon dioxide and other greenhouse gases into the atmosphere. Most greenhouse gases come from burning fossil fuels to produce energy. As a natural gas distributor, Long Beach Gas and Oil (LBGO) continually explores new and innovative approaches to reduce greenhouse gas emissions that contribute to climate change. Recent technological advancements have allowed companies to provide alternatives to traditional natural gas that produce fewer greenhouse gas emissions as well as increase the nation's energy security. One such advancement is the ability to produce biogas on a large scale. Biogas, which is primarily derived from landfills and livestock operations, is a renewable fuel that produces fewer greenhouse gas emissions than natural gas.

In an effort to reduce greenhouse gas emissions from the transportation sector, recent federal and state laws have been enacted to decrease the nation's dependence on fossil fuels and promote biogas. A federal Renewable Fuel Standard (RFS) was created under the Energy Policy Act (EPA) of 2005, and greatly expanded under the Energy Independence and Security Act (EISA) of 2007.

Under the RFS program, fuel producers and importers are required to replace a percentage of their fossil-based transportation fuels with cleaner renewable fuels. Along with traditional gasoline and diesel fuels, this mandate also applies to compressed natural gas (CNG) used as a vehicle fuel. In order to enforce the required volume of renewable fuel under the RFS, the EPA assigns a Renewable Identification Number (RIN) to each unit of renewable fuel.

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Fuel producers and importers are mandated to surrender a certain amount of RINs annually to the EPA to show compliance. A market for RINs has been created where companies that have an excess amount of RINs can sell these credits to entities that have an insufficient amount to meet the EPA mandate.

Along with the federal RFS mandate for renewable fuels, California has also enacted regulations requiring the oil and gas industry to reduce the carbon intensity of transportation fuels by 10 percent by 2020. These regulations, known as the Low Carbon Fuel Standard (LCFS), were enacted in 2007 as part of Assembly Bill 32. Similar to the federal RFS, California grants oil and natural gas producers an LCFS credit for each unit of biofuel they blend with fossil-based transportation fuel. As with RINs, these LCFS credits are traded in the open market and sold to entities that have an insufficient amount to meet California's renewable fuel requirement.

LBGO supplies several companies the natural gas needed to operate their CNG-powered fleet vehicles. By entering in an NAESB contract along with amendments to agreements for natural gas services, LBGO is able to purchase an amount of biogas equal to the amount of natural gas used by CNG-powered fleet vehicles operating within the city. Biogas will be purchased using same market index price already used by LBGO; therefore, customers will see no effect on their bills.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on April 27, 2016 and by Budget Management Officer Victoria Bell on April 19, 2016.

TIMING CONSIDERATIONS

City Council action is requested on May 24, 2016, to execute an NAESB contract along with amendments to agreements for natural gas services effective June 1, 2016.

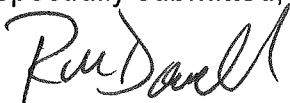
FISCAL IMPACT

Any costs incurred from the purchase of biofuel will be recovered through the commodity rate charged to LBGO utility customers. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



ROBERT DOWELL
DIRECTOR OF LONG BEACH GAS AND OIL

APPROVED:


PATRICK H. WEST
CITY MANAGER