

CHRISTOPHER J. GARNER
DIRECTOR

June 21, 2005

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive and file report regarding finalized Natural Gas Supply Agreement with Pacific Summit Energy, LLC. (Citywide)

DISCUSSION

On May 17, 2005, the City Council authorized the City Manager to enter into a one-year Natural Gas Supply Agreement with either Constellation Energy Commodities Group, Occidental Energy Marketing, Inc., Pacific Summit Energy, LLC, Coral Energy Resources, L.P. or Sempra Energy Trading (see attached City Council letter), provided certain financial parameters were met or exceeded (see chart below).

As a result of negotiations with the five parties on May 23, 2005, a one-year agreement was awarded to Pacific Summit Energy, LLC, a subsidiary of Sumitomo Corporation of America, for the delivery of natural gas and a Natural Gas Supply Agreement was signed at that time. The negotiated terms of the Pacific Summit Energy, LLC agreement favorably exceeded the parameters previously approved by the City Council. Pacific Summit Energy proposed more favorable terms for all three major financial considerations requested: the commodity price itself, the price ceiling, and the price floor. The following Pacific Summit Energy, LLC agreement comparison is provided:

	Council-Approved Parameters	Pacific Summit Energy
Term	June 1, 2005 – May 31, 2006	June 1, 2005 – May 31, 2006
Volume	8,800 MMBtu per day	8,800 MMBtu per day
Price	SoCal Border plus \$0.15 per MMBtu	SoCal Border plus \$0.005 per MMBtu
Price Ceiling	\$12.00 per MMBtu	\$10.00* per MMBtu
Price Floor	\$6.00 per MMBtu	\$5.00 per MMBtu

* Winter price ceiling

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This matter was reviewed by Deputy City Attorney Richard Anthony on June 7, 2005 and Budget Management Officer David Wodynski on June 10, 2005.

TIMING CONSIDERATIONS

City Council action on this item is requested on June 21, 2005, as deliveries of gas under this one-year agreement commenced on June 1, 2005.

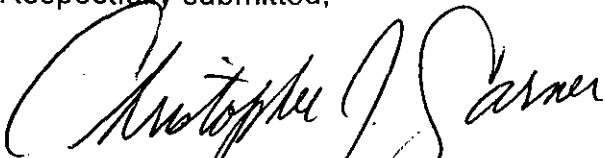
FISCAL IMPACT

Funds associated with the gas supply agreement are included in the budget of the Long Beach Energy Department (EN) in the Gas Fund (EF301). Payment during the one-year agreement is limited to revenues in the Gas Fund.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH ENERGY AND OIL PROPERTIES

CJG:JC
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ATTACHMENT

APPROVED:


GERALD R. MILLER
CITY MANAGER