



CHRISTOPHER J. GARNER
DIRECTOR

A DEPARTMENT OF THE CITY OF LONG BEACH

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August 19, 2003

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Addition of Appendix J (The Construction, Relocation and Removal of the Bolsa Chica Wetlands Pipeline) to Service Agreement No. 27723 With Southern California Gas Company to Provide Utility-Related Services to Long Beach Energy Department (Citywide)

DISCUSSION

On February 13, 1996, the City Council authorized the City Manager to execute a five-year agreement with the Southern California Gas Company (SoCalGas) to provide utility-related services to the Long Beach Energy Department. Under this agreement, Long Beach Energy was able to avail itself of numerous specialized services to augment those services provided by its own personnel including gas utility-related personnel training, meter repair, and marketing consulting.

When Long Beach Energy (LBE) found the services provided under the initial five-year agreement to be cost-effective and supportive of Department operations, approval from City Council was obtained on March 19, 2002 to continue the program for up to 5 years thereafter.

It is proposed that Appendix J be added to this Agreement in order to provide construction, relocation and removal of the City's Bolsa Chica Wetlands natural gas line 1228. The relocation mandated by the State of California, must be completed by October 2004. Line 1228 is an unregulated natural gas pipeline owned by the City and leased to SoCalGas under a 25-year lease agreement (No. 22889) ending in 2018. The annual income to the City currently approximates \$4,000,000 and increases each year by the CPI percentage of the previous year.

The lease agreement requires that the City pay to relocate any portion of the Bolsa Chica Wetlands pipeline and SoCalGas is agreeable to perform the necessary construction, removal and relocation services. The cost of the removal and relocation of the pipeline is presently estimated to be \$2,700,000; however, this estimate may substantially differ from the actual cost, depending on State regulatory issues regarding Wetlands. This approval is not intended to create a maximum ceiling for City Council approval of the cost for this removal and relocation.

The work anticipated to be performed by SoCalGas under Appendix J would include, but is not limited to, the following:

- Removal of the pipe, pipe supports, and appurtenances, including above ground and buried pipes.
- Removal of the existing meter and equipment connected to the pipeline.
- Environmental permitting, monitoring and mitigation for construction, relocation and removal work.
- Relocation of the existing pipeline, including the purchase of materials and construction of the new pipeline.
- Relocation of the existing Meter Set Assembly connected to the removal of the existing pipeline.
- Pipeline routing, engineering, design, acquisition of permits necessary for project, and project management for new installation and relocation services.
- Survey work, acquisition of land and rights-of-way, licenses, easements necessary for the installation of the new or relocated pipeline.
- Purchase of pipeline materials for the new or relocation services.
- Construction of pipeline not associated with a relocation.
- Startup of pipeline, including tie-in, purging, pressure tests and final reconciliation.

SoCalGas has proposed that the project costs be paid in four payments. The payments are based on critical and distinct activities. Any delays in making the payments and initiating the activities will impact the actual project costs and schedule. The following is a description of the activities each payment will fund, the amount of the payment (including overhead), and an estimated date of when it will be needed:

- 1st Payment: Two-thirds of SoCalGas's labor, consulting services to perform the engineering work and finalize the design, and consulting services to obtain environmental permits.
Date Needed: September 2, 2003
Amount: Up to \$368,000
- 2nd Payment: Remaining one third of SoCalGas labor and consulting services for engineering and design.
Date Needed: January 5, 2004
Amount: Up to \$184,000
- 3rd Payment: Procurement of materials.
Date Needed: April 16, 2004
Amount: Up to \$220,500
- 4th Payment: Construction to install the new section of pipeline and remove the existing section from the Bolsa Chica Ecological Reserve.
Date Needed: August 9, 2004
Amount: \$1,168,740 up to \$1,918,740

This matter was reviewed by Deputy City Attorney Carol Shaw on August 11, 2003 and Budget Manager Mike Killebrew on August 8, 2003.

TIMING CONSIDERATIONS

It is anticipated that SoCalGas will begin work on or about September 1, 2003, and will complete the Bolsa Chica Wetlands natural gas line 1228 Pipe Relocation and Removal Project on or about October 1, 2004.

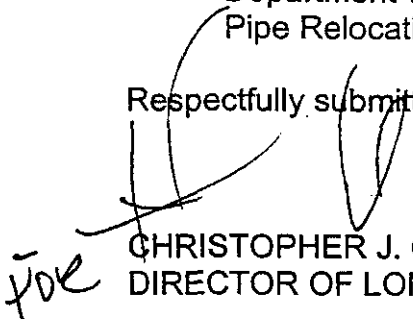
FISCAL IMPACT

Funds have been budgeted to support expenditures associated with the proposed agreement in the Gas Fund (EF 301) in the Long Beach Energy Department (EN). Staff is evaluating potential options to finance this project and will return to Council to seek approval for any potential project financing.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

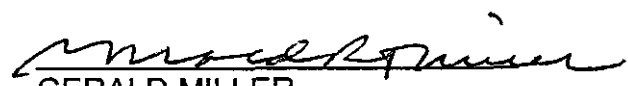
Authorize the City Manager to execute Appendix J to the agreement with Southern California Gas Company to provide utility-related services to Long Beach Energy Department in order to effectuate the Bolsa Chica Wetlands natural gas line 1228 Pipe Relocation and Removal Project as mandated by the State of California.

Respectfully submitted,

Joe


CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH ENERGY

APPROVED:


GERALD MILLER
CITY MANAGER

CJG:AM

1 RESOLUTION NO. C-

2
3 A RESOLUTION OF THE CITY COUNCIL OF
4 THE CITY OF LONG BEACH AUTHORIZING THE
5 CITY MANAGER TO EXECUTE A LEASE WITH
6 THE STATE LANDS COMMISSION FOR RELOCATED
7 NATURAL GAS LINE 1228
8

9 WHEREAS, the Charter of the City of Long Beach, Section 1802, permits
10 the City to obtain services from other government agencies; and

11 WHEREAS, the City of Long Beach desires to lease certain land from the
12 State Lands Commission for the relocation of Line 1228 as part of the Bolsa Chica
13 Lowlands Restoration Project ("Project") and the State Lands Commission is willing to
14 lease such land to the City; and

15 WHEREAS, City's execution of the lease will facilitate the Project;

16 NOW, THEREFORE, the City Council of the City of Long Beach resolves
17 as follows:

18 Section 1. The above recitals are true and correct and are incorporated
19 hereby by this reference.

20 Sec. 2. The City Manager of the City of Long Beach is hereby authorized
21 to enter into a lease with the State Lands Commission with an annual rent not to
22 exceed \$0.00 for the relocation of Natural Gas Line 1228 as part of the Project.

23 Sec. 3. This resolution shall take effect immediately upon its adoption by
24 the City Council, and the City Clerk shall certify the vote adopting this resolution.

25 I hereby certify that the foregoing resolution was adopted by the City
26 Council of the City of Long Beach at its meeting on _____, 2004, by the

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following vote:

Ayes: Councilmembers: _____

Noes: Councilmembers: _____

Absent: Councilmembers: _____

City Clerk