



October 2, 2007

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to terminate the existing Energy Master Purchase/Sale and Services Agreement with Coral Energy Resources, L.P. and to execute and enter into: (A) a Gas Services Agreement with Coral Energy Resources, L.P., for a term not to exceed 20 months, or on such terms as the City Manager may deem appropriate; (B) an ISDA (International Swaps and Derivatives Association) Master Agreement together with the U.S. Municipal Counter Party Schedule and Credit Support Annex thereto, each on such terms as the City Manager may deem appropriate and Confirmations under the Master Agreement for a Fixed-float Swap transaction, a Call Option transaction, and a Put Option transaction each on such terms as the City Manager may deem appropriate; and, (C) NAESB (North American Energy Standards Board) Contract on such terms and enter into such transactions under the NAESB as the City Manager may deem appropriate. (Citywide)

DISCUSSION

On August 21, 2007, the City Council authorized the City Manager to enter into a Gas Services Agreement with Coral Energy Resources, L.P., for a term not to exceed 20 months, terminate the existing Energy Master Purchase/Sale and Services Agreement with Coral Energy Resources, L.P., execute an ISDA (International Swaps and Derivatives Association) Master Agreement, and execute a NAESB (North American Energy Standards Board) Contract.

Outside counsel for Coral Energy Resources, L.P., is requesting clarification of the August 21, 2007, approval through confirmation of the documents and terms as specified in the recommendation and a second City Council approval and authorization.

This matter was reviewed by Deputy City Attorney Richard Anthony and Budget and Performance Management Bureau Manager David Wodynski on September 24, 2007.

TIMING CONSIDERATIONS

City Council action is requested on October 2, 2007. LBGO purchases approximately \$75 million of natural gas commodity on behalf of its customers annually. It is expected that the proposed gas prepay transaction will result in an estimated annual cost savings of \$5 to \$7 million, or approximately \$150 to \$200 million over the next 30 years. Services and transactions under the Gas Services, ISDA and NAESB agreements will commence November 1, 2007.

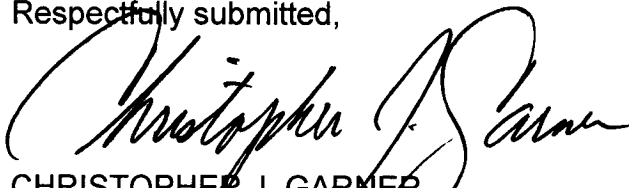
FISCAL IMPACT

Funds associated with these Agreements are budgeted in the Gas Fund (EF 301) and the Long Beach Gas and Oil Department (EN). The Gas Fund is derived from revenue realized from customer payments for the gas commodity and associated services.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH GAS AND OIL

CJG: JC:lld

APPROVED:



PATRICK H. WEST
CITY MANAGER