



March 20, 2007

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

**RECOMMENDATION:**

Authorize the City Manager to execute an agreement with the Tidelands Oil Production Company to deliver locally produced natural gas to the Long Beach Gas & Oil Department for a six-month term at approximately \$425,000. (Citywide)

**DISCUSSION**

The Long Beach Gas & Oil Department (LBGO) maintains agreements with various local gas producers (Locals) to purchase natural gas. The Locals supply approximately five percent of the total natural gas needs of LBGO customers and are currently paid a price equivalent to the Southern California Gas Company's (SoCalGas) core procurement price.

In February 2002, LBGO entered into a five-year agreement with Tidelands Oil Production Company for locally produced natural gas, with the option to renew for an additional five years. Per the agreement, LBGO opted to terminate the agreement in February 2007, at the end of the first five-year period. LBGO is now requesting to enter into a re-negotiated agreement with Tidelands Oil Production Company, with several revised conditions, which are consistent with the agreements with other Locals. The new six-month agreement will be effective March 1 through August 31, 2007 and will recoup costs for odorant service, and require an automatic gas shut-in valve, in case of non-compliant gas delivery. Pricing shall be equivalent to the cost of gas under the Southern California Gas Company's Core Procurement Gas Service Schedule No. G-CP for any given month as posted on the Southern California Gas Company's website.

This matter was reviewed by Deputy City Attorney Richard Anthony and Budget and Performance Management Bureau Manager David Wodynski on March 9, 2007.

TIMING CONSIDERATIONS

City Council approval is requested on March 20, 2007 to enter into the new Agreement retroactive to March 1, 2007 as the previous agreement terminated on February 28, 2007.


FISCAL IMPACT

The estimated cost for the six-month period for LBGO to purchase the gas produced by the Tidelands Oil Production Company through this Agreement is \$425,000. The costs associated with the purchase are budgeted in the Gas Fund (EF 301) and the Long Beach Gas & Oil Department (EN). The costs will be recovered through LBGO gas customer rates.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

  
CHRISTOPHER J. GARNER  
DIRECTOR OF LONG BEACH GAS & OIL

CJG: JC; jt  
03-20-07 ccl - Tidelands Oil Production Company

APPROVED:

  
GERALD R. MILLER  
CITY MANAGER