

CHRISTOPHER J. GARNER
DIRECTOR

August 16, 2005

HONORABLE MAYOR AND CITY COUNCIL

City of Long Beach

California

RECOMMENDATION:

Authorize the City Manager to enter into a California Direct Access Mitigation Consulting Agreement with Utility Resource Management Group, Inc., to provide utility cost containment information and materials relating to Direct Access electricity refunds and/or settlements. (Citywide)

DISCUSSION

On March 15, 2005, the City Council authorized the City Manager to enter into a Direct Access Recovery Non-Disclosure Agreement with Utility Resource Management Group Inc. (URM) to provide utility cost containment information and materials relating to Direct Access electricity refunds and/or settlements (Council letter attached). Subsequent to this date, URM has prepared an analysis of fees and charges related to Direct Access Services provided through New West Energy (NWE). Further, URM has projected the potential expenditures to the City of Long Beach to return to Southern California Edison from Direct Access as a result of NWE's cancellation of our Direct Access agreement.

The proposed California Direct Access Mitigation Consulting Agreement will allow URM to serve as the City's exclusive consultant in connection with recovery and/or mitigation of past and future charges, including surcharges and overcharges related to the City's former contracts with New West Energy. The term of the agreement shall continue until such time that any claim brought by URM under the agreement is concluded, either by way of final award, settlement or for any other reason.

Between September 1998 and January 2001, the City of Long Beach contracted with New West Energy for a discounted electric commodity supply for all 2,000 City electric accounts in accordance with the Direct Access provisions of Assembly Bill 1890, which authorized the restructuring of California's electric utilities.

In December 2000, New West Energy notified the City that, due to the volatility of the electricity market and financial losses sustained in providing electricity to the City, it was suspending Direct Access service to the City. The City returned to Southern California Edison (SCE) as a bundled service customer in February 2001. On September 20, 2001, the California Public Utilities Commission (CPUC) suspended Direct Access service

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altogether. On May 7, 2003, the CPUC, in Decision 03-05-034, adopted rules permitting Direct Access customers who had returned to bundled utility service the option to switch back to Direct Access service.

URM approached Long Beach Energy Department (LBE) as a cost containment specialist. URM proposed to supply LBE particular information relating to various strategies, recommendations and analysis relating exclusively to Direct Access electricity refunds and/or settlements that were potentially available to the City.

URM provides the services on a 50 percent shared savings basis. If LBE implements any recommendations within 12 months of the date of the agreement and it results in savings, refunds, credits, or settlements recovered in any manner, including but not limited to settlements, negotiations, and/or damages awarded as a result of arbitration, mediation and/or any legal or non-legal proceeding and actually received by LBE in immediately available funds, LBE agrees to pay URM 50 percent of any and all gross savings.

This matter was reviewed by Deputy City Attorney Richard Anthony on August 4, 2005 and Budget Management Officer David Wodynski on August 8, 2005.

TIMING CONSIDERATIONS

City Council action on this item is requested on August 16, 2005.

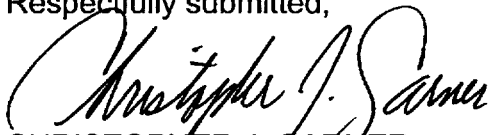
FISCAL IMPACT

The cost of URM services will be dependent upon and fully offset by settlement revenues, should opportunities arise. There is no fiscal impact associated with the suggested action.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



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

CJG: JC
C:\CCL08-16-05 AGREEMENT WITH URM

Attachment

APPROVED:


GERALD R. MILLER