

March 17, 2020

C-5

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute a new Schedule I, Transaction-Based Storage Service Agreement, as part of the long-term Master Services Contract with Southern California Gas Company, for natural gas storage capacity rights. (Citywide)

DISCUSSION

The Energy Resources Department (ER) maintains an agreement with Southern California Gas Company (SoCalGas) to retain natural gas storage capacity rights in SoCalGas' regional underground storage basins. Because there is no above or below ground storage capacity within the City, it is essential that ER maintain a reserve of natural gas to ensure supply reliability during sharp increases in demand and supply shortages caused by unexpected events. Under the current Schedule I, ER is able to store approximately 7 percent of its annual demand in SoCalGas' storage facilities.

On January 8, 2000, the City Council authorized the City Manager to execute a long-term Master Services Contract (No. 26729) with SoCalGas. The current Schedule I Storage Agreement, as part of the Master Services Contract, will expire March 31, 2020. The new storage agreement will be for a one-year term, beginning on April 1, 2020 and ending March 31, 2021. A 2008 settlement agreement approved by the California Public Utilities Commission (CPUC), and subsequently upheld, set the storage reservation rates charged to ER to be equal to those paid by the core customers of SoCalGas and San Diego Gas and Electric.

The agreement sets a maximum inventory capacity, injection and withdrawal levels, and a provision for variable in-kind charges on actual monthly injection volumes through SoCalGas' G-TBS Tariff. Any charges and rates are subject to change during the term of the agreement with approval of the CPUC.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on February 19, 2020 and by Revenue Management Officer Geraldine Alejo on February 26, 2020.

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TIMING CONSIDERATIONS

The current Schedule I, Transaction-Based Storage Service Agreement expires March 31, 2020. City Council action is requested on March 17, 2020, to ensure uninterrupted storage rights on the SoCalGas system.

FISCAL IMPACT

Gas storage service costs are estimated to be \$619,797 for the contract term and are included as part of the natural gas commodity charged to Energy Resources customers. The amount is budgeted in the Gas Fund Group in the Energy Resources Department. This recommendation has no staffing impact beyond the budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



ROBERT M. DOWELL
DIRECTOR OF ENERGY RESOURCES

APPROVED:



THOMAS B. MODICA
ACTING CITY MANAGER