



August 3, 2010

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California**RECOMMENDATION:**

Authorize the City Manager to execute a North American Energy Standards Board (NAESB) Contract between the City of Long Beach and the City of Pasadena for the purchase and sale of natural gas on such terms, and enter into such transactions under the NAESB, as the City Manager may deem appropriate. (Citywide)

**DISCUSSION**

The Long Beach Gas and Oil Department (LBGO) operates the City-owned natural gas utility, serving about 150,000 ratepayers primarily in the cities of Long Beach and Signal Hill. In 2007 the Long Beach Bond Finance Authority issued Natural Gas Purchase Revenue bonds to acquire a long-term supply of natural gas for the ratepayers of LBGO at a fixed discount to a monthly market index price over a 30-year period. The City of Pasadena executed a similar prepaid natural gas supply agreement in 2007 to benefit ratepayers of Pasadena Water and Power (PWP). Gas delivered to PWP is used as fuel in a power plant generating electricity for PWP customers. Natural gas supplied under both agreements must be utilized for a qualifying use, essentially consumed by retail gas or electricity customers of a municipal utility, to maintain the tax-exempt status of the bonds issued pursuant to I.R.S. regulations.

From time to time either PWP or LBGO may have the need to sell excess prepaid gas that it cannot efficiently utilize or store. Having a NAESB contract with Pasadena in place will provide LBGO the opportunity to purchase excess gas from PWP at a discount to market price, or offer excess gas to PWP at a similar discount while meeting I.R.S. qualified use requirements. It is expected that LBGO will be a net buyer of excess gas at a discount on an annual basis under this NAESB contract due to adequate demand for current prepaid gas volumes and the higher volatility in gas demand for electrical generation experienced by PWP. Any savings realized from this agreement will therefore depend on the discounts to market price offered by PWP and the net volumes purchased by LBGO.

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This matter was reviewed by Deputy City Attorney Richard Anthony and by Budget Management Officer Victoria Bell on June 30, 2010.

TIMING CONSIDERATIONS

City Council action is requested on August 3, 2010, to expand the options available to LBGO to efficiently manage the purchase and sale of natural gas for the benefit of its customers.

FISCAL IMPACT

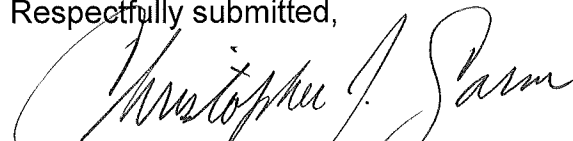
Funds required for this Agreement are budgeted in the Gas Fund (EF 301) and the Long Beach Gas and Oil Department (GO). Modest net savings to the Gas Fund are expected under this agreement, but the extent of the impact is unknown as it is dependent upon the timing, volumes of gas, and size of discounts offered and purchased.

The requested action will not have an impact on jobs.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CHRISTOPHER J. GARNER  
DIRECTOR OF LONG BEACH GAS AND OIL

CJG:CPH:dgs

CCL 8-3-2010 – Pasadena NAESB.doc

APPROVED:



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PATRICK H. WEST  
CITY MANAGER