



December 20, 2005

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to enter into and execute Five Year Term Natural Gas Delivery Agreements with sellers of locally produced natural gas.

DISCUSSION

The City of Long Beach Gas and Oil Department (LBGO) currently has agreements for the delivery of natural gas with four local gas producers, which are scheduled to expire December 31, 2005. On March 1, 2005, the City Council approved the amendment and restatement of the agreements through December 31, 2005, in order to eliminate inconsistencies between the various agreements and to update gas quality requirements. These short-term agreements allowed LBGO to monitor the revised gas quality specifications and to further amend the terms and conditions of the agreements. Local producers provide approximately 9 percent of the City's gas supply and are paid a price equal to the Southern California Gas Company's (SoCalGas) gas procurement price. The agreements with the following providers are scheduled to expire on December 31, 2005:

- Breitburn Energy Company
- Sampson Oil Company
- Signal Hill Petroleum
- Termo Company

This matter was reviewed by Deputy City Attorney Richard Anthony on December 7, 2005 and by Budget Management Officer David M. Wodynski on December 6, 2005.

TTIMING CONSIDERATIONS

City Council action is requested on December 20, 2005, as the existing agreements expire on December 31, 2005. To ensure the continuation of natural gas purchases from these local producers, new agreements must be executed prior to December 31, 2005.

FISCAL IMPACT

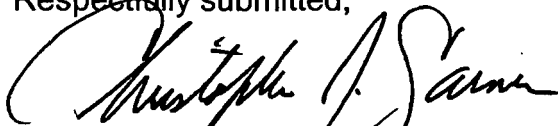
Local gas is traditionally slightly less expensive than non-local gas supplies. Local gas is supplied directly into the LBGO pipeline system, allowing LBGO to avoid paying SoCalGas pipeline transportation charges required for non-local gas supplies.

Total estimated costs for the requested delivery agreements are \$5,000,000 per year over the five-year term of the agreements. The cost of the natural gas commodity is passed through directly to LBGO customers with no markup and therefore offset dollar for dollar in terms of revenue. The costs associated with local gas purchases are budgeted in LBGO (EN) and the Gas Fund (EF 301).

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH GAS AND OIL

CJG: JC: fld
C:\My Documents\Work\City Council\12-20-05 cd - Agreement for Local Gas Supply.doc

APPROVED:



GERALD R. MILLER
CITY MANAGER