



DEPARTMENT

ROBERT DOWELL
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March 21, 2017

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 between the City of Long Beach and the Southern California Gas Company for natural gas storage capacity rights. (Citywide)

DISCUSSION

The Long Beach Gas and Oil Department (LBGO) maintains an agreement with Southern California Gas Company (SoCalGas) to retain natural gas storage capacity rights in SoCalGas' regional underground storage basins. Because the City of Long Beach (City) does not have above or below ground storage capacity, LBGO maintains a reserve of natural gas in SoCalGas' storage basins for added supply reliability during periods of sharp increases in demand and supply shortages caused by unexpected events. No underground natural gas storage is located in the City of Long Beach. Storage inventory represents approximately 7 percent of annual LBGO gas sales.

On January 8, 2000, the City Council authorized the City Manager to execute a long-term Master Services Contract (No. 26729) between the City and SoCalGas. The current Schedule I Storage Agreement, as part of the Master Services Contract, will expire March 31, 2017. The new storage agreement will be for a one-year term, beginning on April 1, 2017 and ending March 31, 2018. A 2008 settlement agreement approved by the California Public Utilities Commission (CPUC), and subsequently upheld, set the storage reservation rates charged by LBGO 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.

HONORABLE MAYOR AND CITY COUNCIL
March 21, 2017
Page 2

This matter was reviewed by Deputy City Attorney Richard F. Anthony on February 23, 2017 and by Revenue Management Officer Geraldine Alejo on February 28, 2017.

TIMING CONSIDERATIONS

The current Schedule I, Transaction-Based Storage Service Agreement expires March 31, 2017. City Council action is requested on March 21, 2017, to ensure uninterrupted storage rights on the SoCalGas system.

FISCAL IMPACT

Gas storage service costs are estimated to be \$500,000 for the contract term, and are included as part of the natural gas commodity charged to LBGO customers. The amount is budgeted in the Gas Fund (EF 301) of the Long Beach Gas and Oil Department (GO). There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



ROBERT DOWELL
DIRECTOR OF LONG BEACH GAS AND OIL

RD:LAF:djb

APPROVED:



PATRICK H. WEST
CITY MANAGER