CITY OF LONG BEACH
Gas & Oil
DEPARTMENT

R-31

CHRISTOPHER J. GARNER
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December 20, 2005

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute and enter into a Five Year Natural Gas Delivery Agreement with the Tidelands Oil Production Company for the delivery of locally produced natural gas at a metering station located on Pier "S."

DISCUSSION

Commencing January 2006, the City's Long Beach Gas and Oil Department (LBGO) anticipates receiving an additional 190,000 annual MMBtu of locally produced natural gas from the Tidelands Oil Production Company (Tidelands). This is an additional Agreement with Tidelands for a new entry point into the gas distribution system (see attached map representing the flow control unit proposed layout piping plan and sections of the new Tidelands metering station), adjacent to the Southeast Resource Recovery Facility, on Terminal Island.

A new Natural Gas Delivery Agreement for locally produced gas with Tidelands is required for the delivery of this gas, which is in addition to Tidelands' current Pier "G" gas deliveries. The price paid to Tidelands for this gas will be consistent with that paid to other local gas producers.

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.

TIMING CONSIDERATIONS

City Council action is requested on December 20, 2005, as gas sales are expected to commence January 1, 2006.

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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 agreement are $1,540,000 per year over the five-year term of the agreement. The cost of the natural gas commodity is passed through directly to LBGO customers with no markup and therefore offset dollar for dollar. The Port of Long Beach will also realize revenue from this agreement. The cost associated with local gas purchases is budgeted in LBGO (EN) and the Gas Fund (EF 301). Gas sold through this Agreement will result in revenue for the next five years to the Port of Long Beach. The Port of Long Beach owns 100 percent of the mineral rights to the gas wells.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH GAS AND OIL

CJG: JC: lk
C:\My Documents\[illegible] City Council\12-20-05 ccl - Agreement with Tidelands Oil Production Company [illegible]

Attachment

APPROVED:

GERALD R. MILLER
CITY MANAGER