

March 19, 2013

HONORABLE MAYOR AND CITY COUNCIL  
 City of Long Beach  
 California

**RECOMMENDATION:**

Authorize the City Manager 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. This agreement allows LBGO to maintain a reserve of natural gas for added supply reliability during periods of sharp increases in demand and supply shortages from unexpected events. Storage inventory represents approximately 7 percent of annual LBGO gas sales.

On January 18, 2000, the City Council authorized the City Manager to execute a long-term Master Services Contract (No. 26729) between the City of Long Beach (City) and SoCalGas. The current Schedule I storage agreement will expire March 31, 2013. The new storage agreement will be for a one-year term, beginning on April 1, 2013, and ending on March 31, 2014. A 2008 settlement agreement approved by the Public Utilities Commission set the storage reservation rates charged to LBGO equal to those paid by the core customers of SoCalGas and San Diego Gas & Electric through 2014. A tentative settlement agreement currently before the Public Utilities Commission upholds the 2008 settlement.

The reservation quantities will remain unchanged from last year. The agreement includes a provision for variable charges on actual monthly injection and withdrawal volumes set by the SoCalGas G0TBS Tariff posted online that is subject to change during the agreement term with approval of the California Public Utilities Commission.

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This matter was reviewed by Deputy City Attorney Richard Anthony on March 6, 2013 and Budget Management Officer Victoria Bell on March 5, 2013.

**TIMING CONSIDERATIONS**

The current Schedule I, Transaction Based Storage Service Agreement, expires March 31, 2013. City Council action is requested on March 19, 2013, to ensure uninterrupted storage rights on the SoCalGas system.

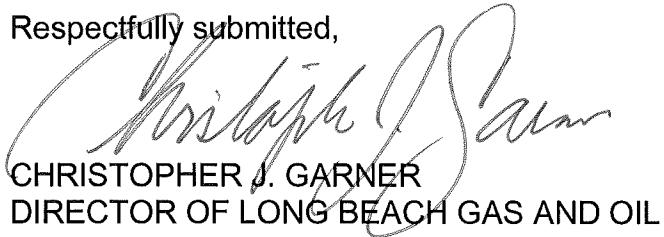
**FISCAL IMPACT**

Gas storage service costs are estimated to be \$577,043 for the 12-month contract term, an annual increase of \$191 over the current 12-month contract term. These gas storage service costs are included as part of the gas transportation fees charged to customers. The amount is budgeted in the Gas Fund (EF 301) and in the Long Beach Gas and Oil Department (GO). There is no impact to local jobs.

**SUGGESTED ACTION:**

Approve recommendation.

Respectfully submitted,

  
CHRISTOPHER J. GARNER  
DIRECTOR OF LONG BEACH GAS AND OIL

CJG:LAF:djb

**APPROVED:**

  
PATRICK H. WEST  
CITY MANAGER