



April 15, 2008

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager execute a NAESB (North American Energy Standards Board) Contract 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

On August 21, 2007, the Long Beach Gas and Oil Department (LBGO) received City Council approval for the issuance of bonds by the Long Beach Bond Finance Authority for the prepayment of a natural gas supply through Merrill Lynch for a term of 30 years. The prepaid natural gas agreement with Merrill Lynch provides LBGO customers with its baseload supply of gas. Currently, the incremental gas purchase requirements needed to meet LBGO customers' full natural gas requirements as well as sale of excess gas can only be transacted by Coral Energy Resources, L.P. (Coral). By entering into this NAESB contract with Merrill Lynch, LBGO will have the option of purchasing incremental gas or selling excess gas through Merrill Lynch, as well as Coral. It is expected that LBGO will be able to capture pricing opportunities with this additional gas supply source.

This matter was reviewed by Deputy City Attorney Richard Anthony on March 20, 2008 and by Budget Officer Victoria Bell on March 24, 2008.

TIMING CONSIDERATIONS

City Council action is requested on April 15, 2008, to provide LBGO with the greatest efficiency and effectiveness in buying and selling natural gas for LBGO customers.

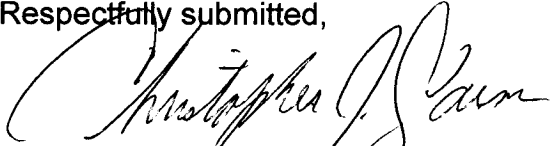
FISCAL IMPACT

Funds required for this Agreement are already budgeted in the Gas Fund (EF 301) and the Department of Long Beach Gas and Oil (EN). The Gas Fund is derived from revenue realized from customer payments for the gas commodity and associated services.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH GAS AND OIL

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APPROVED:


PATRICK H. WEST
CITY MANAGER