

## **C-6**

March 23, 2021

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 Natural Gas Storage Service Agreement, as part of the long-term Master Services Contract with Southern California Gas Company, for natural gas storage capacity rights. (Citywide)

### DISCUSSION

The City of Long Beach (City), through its Energy Resources Department (ER), maintains an agreement with the Southern California Gas Company (SoCalGas) to retain natural gas storage capacity rights in SoCalGas' regional underground natural gas storage fields. Because the City does not have above or below ground natural gas storage capacity, ER maintains a reserve of natural gas in SoCalGas' storage fields for added natural gas supply reliability during periods of sharp increases in natural gas demand and natural gas supply shortages caused by unexpected events. Natural gas storage inventories represent approximately 7 percent of annual ER natural gas sales.

On January 8, 2000, the City Council authorized the City Manager to execute a long-term Master Services Contract (No. 26729) with SoCalGas. The current Schedule I, Transaction-Based Natural Gas Storage Service Agreement (Agreement), as part of the Master Services Contract, will expire on March 31, 2021. The new Agreement will be for a one-year term, beginning April 1, 2021 and ending March 31, 2022. A 2008 settlement agreement approved by the California Public Utilities Commission (CPUC), and subsequently upheld, set the natural gas storage reservation rates charged to ER to be equal to those paid by core customers of SoCalGas and San Diego Gas and Electric.

The new Agreement sets a maximum natural gas inventory capacity, injection and withdrawal levels, and a provision for variable in-kind charges on actual natural gas monthly injection volumes through SoCalGas' G-TBS Tariff. Any charges and rates are subject to change during the term of Agreement with approval of the CPUC.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on February 24, 2021 and by Revenue Management Officer Geraldine Alejo on February 26, 2021.

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TIMING CONSIDERATIONS

The current Schedule I, Transaction-Based Storage Service Agreement expires on March 31, 2021. City Council action is requested on March 23, 2021, to ensure uninterrupted natural gas storage rights on the SoCalGas system.

FISCAL IMPACT

Natural gas storage service costs are estimated at \$1,144,885 for the contract term and are included as part of the natural gas commodity charged to ER customers. The amount is budgeted in the Gas Fund Group in the Energy Resources Department. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



ROBERT M. DOWELL  
DIRECTOR OF ENERGY RESOURCES

APPROVED:



THOMAS B. MODICA  
CITY MANAGER