



March 10, 2015

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California**RECOMMENDATION:**

Authorize the City Manager to execute a Second Amendment to the Natural Gas Services Agreement with Shell Energy North America (SENA) providing administrative functions related to the delivery of natural gas to the City of Long Beach's natural gas pipeline system for an additional three-year term with no other change in terms. (Citywide)

DISCUSSION

The supply of natural gas entering Long Beach Gas and Oil's (LBGO) natural gas pipeline system is delivered via the Southern California Gas Company's transmission system from various supply locations. These sources included intrastate and interstate sources, local storage facilities, and local production. LBGO currently has a Natural Gas Services Agreement (No. 31076) with SENA, in which SENA calculates load forecasts and coordinates the scheduling of natural gas supplies from multiple sources to ensure a reliable source of natural gas for LBGO's core, non-core, and industrial transportation customers.

A three-year Natural Gas Services Agreement with SENA was approved by the City Council on March 24, 2009. A subsequent first amendment was approved by the City Council on March 20, 2012, which extended the term of the contract an additional three years. A second amendment would extend the contract an additional three years, with an expiration date of March 31, 2018. The current Natural Gas Services Agreement represented a significant discount from prior service contracts. LBGO has been satisfied with SENA's performance under the current contract and does not believe a more favorable service agreement can be negotiated with other providers given the impact of historically low gas prices on the availability of such services. SENA has an excellent reputation in the industry, has extensive expertise in the procurement and transportation of natural gas, and is a major marketer in California with scheduling and trading offices in San Diego.

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This matter was reviewed by Deputy City Attorney Richard Anthony and by Budget Management Officer Victoria Bell on February 18, 2015.

TIMING CONSIDERATIONS

City Council action is requested on March 10, 2015 to ensure a Natural Gas Services Agreement is in place by April 1, 2015.

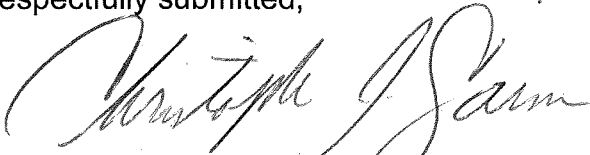
FISCAL IMPACT

There will be no fiscal impact to the City from the Second Amendment extending the term of the Natural Gas Services Agreement since the fee charged by SENA is directly passed on to customers as part of the gas commodity charge. There is no impact to local jobs.

SUGGESTED ACTION:

Approve recommendation.

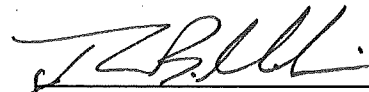
Respectfully submitted,



CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH GAS AND OIL

CJG:LAF:djb

APPROVED:



PATRICK H. WEST
CITY MANAGER