



March 16, 2023

Subject

Authorize the General Manager to enter into a Schedule I, Transaction-Based Natural Gas Storage Service Agreement, according to the long-term Master Services Contract, with the Southern California Gas Company, for natural gas storage capacity rights, from April 1, 2023 to March 31, 2024.

Executive Summary

The Long Beach Utilities Department (LBUD) Gas Operations maintains an agreement with the Southern California Gas Company (SoCalGas) for natural gas storage capacity rights in SoCalGas' regional underground natural gas storage fields. LBUD seeks to renew the Schedule I, Transaction-Based Natural Gas Storage Service Agreement (Agreement) to maintain sufficient reserves of natural gas for pricing and supply reliability during periods of sharp demand increases and/or sudden supply shortages or other unexpected events. The current Agreement sunsets on March 31, 2023.

As evidenced by the recent price spikes during last December and January, gas storage functions as an essential tool in mitigating risks of price volatility to ratepayers. For example, in January 2023, LBUD withdrew roughly 200,000 dekatherm (Dth) of gas from storage at \$7.72/Dth. This volume and price displaced an equivalent volume of locally-produced gas which would have otherwise been purchased at the first of the month SoCal Border price of \$46.92/Dth. Withdrawing these volumes of the much less expensive stored gas effectively lowered our core customers' total average cost of gas by nearly \$9.00/Dth. It saved our core customers approximately \$4.5 million in January 2023.

This 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. The maximum natural gas inventory capacity is 853,298 Dth. Any charges and rates are subject to change during the term of the Agreement with the approval of the CPUC.

Note that the bulk of LBUD gas is delivered through a prepay contract in place with Merrill Lynch. Storage gas is utilized both as protection against supply interruptions and imbalances as well as supplementary supply intended to minimize price volatility during the winter months. The SoCalGas regional underground natural gas storage fields include the largest single storage field, Aliso Canyon. Other sites on the system include

BOARD OF UTILITIES COMMISSIONERS

March 16, 2023

Page 2

Playa del Rey, La Goleta, and Honor Rancho. In October 2015, a leak was discovered at Aliso Canyon, which was ultimately sealed in February 2016. Since then, Aliso Canyon has reopened, though at less than full capacity, which has, in turn, reduced the volumes LBUD can store in the SoCalGas system. Staff will report back to you as future dispositions relative to Aliso Canyon develop.

Recommendation

Authorize the General Manager to enter into a Schedule I, Transaction-Based Natural Gas Storage Service Agreement, according to the long-term Master Services Contract, with the Southern California Gas Company, for natural gas storage capacity rights, from April 1, 2023 to March 31, 2024.

Fiscal Impact: Natural gas storage service costs are estimated at \$1,502,950 for the contract term and are included as part of the natural gas commodity charged to LBUD customers. This amount is budgeted in the Gas Fund.



Leon A. Foster
Manager of Business Operations



Christopher J. Garner
General Manager