



June 12, 2012

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt the attached Resolution authorizing the City Manager to negotiate and execute Customer Natural Gas Transportation/Service Agreements and future amendments between the City of Long Beach and Gas Rate Schedule 5 (Compressed Natural Gas), Schedule 7 (Cogeneration), and Schedule 9 (Transportation) customers for contract periods not to exceed five years. (Citywide)

DISCUSSION

Similar to all other California natural gas utilities, Long Beach Gas and Oil (LBGO) permits certain customer classifications, primarily LBGO's largest customers, to contract for their natural gas commodity supplies from third parties. These customers must then enter into Natural Gas Transportation/Service Agreements (Agreements) with LBGO to provide for the transportation of these gas supplies over intrastate pipelines and LBGO's pipelines to the customer's facility.

All existing Agreements with such customers, under Gas Rates Schedule 5 (Compressed Natural Gas), Schedule 7 (Cogeneration), and Schedule 9 (Transportation), will expire on July 31, 2012. Therefore, new Agreements must be executed for those customers opting to continue to procure their own natural gas commodity supplies. These Agreement customers currently include: Bloom Energy, Boeing Corporation, California State University at Long Beach, Edgington Oil, St. Mary Medical Center, and THUMS Long Beach.

The new Agreements will outline the terms and conditions under which a transport customer must operate. Transmission rates charged under these Agreements are as stated in the current LBGO Rate Schedules.

The relevant provisions under the Agreement are as follows:

- LBGO agrees to transport Customer-owned gas from the point of receipt into the SoCaGas transmission system to the LBGO distribution system where the gas shall then be transported and delivered to the Customers by LBGO on a daily basis.

- The Customer's gas volume nominations must be submitted to LBGO in writing at least one business day prior to the date of flow. The written nomination must include pertinent information on transportation contracts, receipt points, suppliers and any other information LBGO deems reasonably necessary as set forth in the nomination form from the Customer's supplier.
- In the event that SoCalGas determines that the Customer nomination exceeds its expected systems capacity, SoCalGas shall apply Buy-Back service separately for each flow date that is overnominated. Under the Buy-Back service, LBGO receives a credit from SoCalGas for that portion of the Customer nomination which is not delivered. LBGO reserves the right to bill the customer the difference between the highest price it paid for the commodity and the amount credited by SoCalGas.
- In the event that a Customer does not use its full nomination, the Customer is subject to certain Balancing Standby Rates as published in SoCalGas Tariff Rule No. 30.
- The Customer may, at any time, during the term of the Agreement, elect to purchase gas from LBGO for all of its gas requirements under the applicable LBGO Rate Schedule by providing advance written notification to LBGO of its election. If Customer makes such an election, Customer must purchase all of its gas commodity from LBGO for a minimum of one year.
- LBGO shall send the Customer an invoice for the net charges payable for the preceding month. Such charges shall be based upon this Agreement and the appropriate prevailing LBGO Rate Schedule and current LBGO Fees and Charges Schedule in effect at the time of billing.
- Customer shall pay the tax imposed under the Long Beach Municipal Code Section 3.68.040, as amended, based upon the total cost, which includes, but is not limited to, the Imputed Value of the Commodity, transportation services, surcharges, tariffs, under/over-delivery charges and all other charges and penalties.

This matter was reviewed by Deputy City Attorney Richard Anthony on June 4, 2012, and by Budget Management Officer Victoria Bell on May 21, 2012.

TIMING CONSIDERATIONS

City Council action is requested on June 12, 2012 to establish new Natural Gas Transportation/Service Agreements, which are due to expire on July 31, 2012.

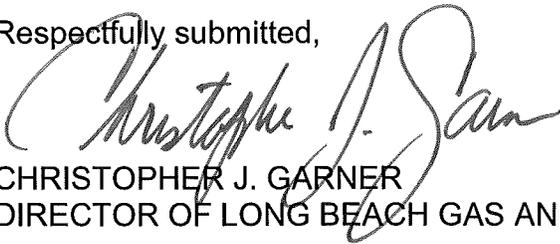
FISCAL IMPACT

All revenues collected under these Agreements will be deposited in the Gas Fund (EF 301) and in the Long Beach Gas and Oil Department (GO). The annual estimated revenue for these customers is projected to be \$2.04 million.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH GAS AND OIL

CJG:CAB:LAF

Attachment

APPROVED:



PATRICK H. WEST
CITY MANAGER

OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

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RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH PROVIDING FOR THE ADOPTION OF A REVISED FORM OF CUSTOMER NATURAL GAS TRANSPORTATION/SERVICE AGREEMENT TO BE EXECUTED BETWEEN THE CITY AND SCHEDULES 5, 7, AND 9 TRANSPORTATION CUSTOMERS OF THE LONG BEACH GAS & OIL DEPARTMENT

WHEREAS, the City of Long Beach (the "City"), acting through the Long Beach Gas & Oil Department ("LBGO"), has entered into agreements ("Agreements") to transport natural gas on behalf of various customers within the City of Long Beach ("Transport Customers"); and

WHEREAS, the Agreements are scheduled to expire on July 31, 2012; and
WHEREAS, certain provisions of the existing Agreements require updating;

and

WHEREAS, the Transport Customers desire to continue to purchase services from LBGO;

NOW, THEREFORE, the City Council of the City of Long Beach resolves as follows:

Section 1. The City Manager shall be authorized to execute a standard form of Customer Natural Gas Transportation/Service Agreement prepared by the City Attorney in order to update certain terms and provisions of existing Agreements and continue to provide services to the Transport Customers.

Section 2. This resolution shall take effect immediately upon its adoption by the City Council, and the City Clerk shall certify the vote adopting this resolution.

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1 I hereby certify that the foregoing resolution was adopted by the City
2 Council of the City of Long Beach at its meeting of _____, 2012 by the
3 following vote:

4 Ayes: Councilmembers: _____
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8 Noes: Councilmembers: _____
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10 Absent: Councilmembers: _____
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City Clerk

OFFICE OF THE CITY ATTORNEY
ROBERT E. SHANNON, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664