



March 22, 2016

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

**RECOMMENDATION:**

Authorize the City Manager to execute a new Schedule I, Transaction-Based Storage Service Agreement, as part of the long-term Master Services Contract between the City of Long Beach and the Southern California Gas Company for natural gas storage capacity rights. (Citywide)

**DISCUSSION**

The Long Beach Gas and Oil Department (LBGO) maintains an agreement with Southern California Gas Company (SoCalGas) to retain natural gas storage capacity rights in SoCalGas' regional underground storage basins. Because the City does not have above or below ground storage capacity, LBGO maintains a reserve of natural gas in SoCalGas' storage basins for added supply reliability during periods of sharp increases in demand and supply shortages from unexpected events. No underground natural gas storage is located in the City of Long Beach. Storage inventory represents approximately 7 percent of annual LBGO gas sales.

On January 8, 2000, the City Council authorized the City Manager to execute a long-term Master Services Contract (No. 26729) between the City of Long Beach and SoCalGas. The current Schedule I Storage Agreement will expire March 31, 2016. The new storage agreement will be for a one-year term, beginning on April 1, 2016 and ending on March 31, 2017. A 2008 settlement agreement approved by the Public Utilities Commission set the storage reservation rates charged by LBGO equal to those paid by the core customers of SoCalGas and San Diego Gas & Electric through 2014. A subsequent settlement agreement approved by the Public Utilities Commission upheld the 2008 settlement.

The reservation quantities will remain unchanged from last year. The agreement includes a provision for variable charges on actual monthly injection and withdrawal volumes set by the SoCalGas G-TBS Tariff posted online that is subject to change during the agreement term with approval of the Public Utilities Commission.

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TIMING CONSIDERATIONS

The current Schedule I, Transaction-Based Storage Service Agreement expires March 31, 2016. City Council action is requested on March 22, 2016, to ensure uninterrupted storage rights on the SoCalGas system.

FISCAL IMPACT

Gas storage service costs are estimated to be \$524,206 for the contract term, and are included as part of the natural gas commodity charged to customers. The amount is budgeted in the Gas Fund (EF 301) of the Long Beach Gas and Oil Department (GO). There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



EDWARD FARRELL  
ACTING DIRECTOR OF LONG BEACH GAS AND OIL

EF:LAF:q/b

APPROVED:

  
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PATRICK H. WEST  
CITY MANAGER