



Legislation Text

File #: 15-0055, **Version:** 1

Recommendation to adopt resolution increasing the maximum allowable natural gas surcharge adjustment for Electric Generation Customers (Schedule 7) to \$0.05/therm; and authorize City Manager to decrease the surcharge by \$0.05/therm for natural gas service to proposed fuel cell units to be installed at the Aquarium of the Pacific. (Citywide)

As a natural gas utility, Long Beach Gas and Oil (LBGO) continually explores new and innovative approaches to reducing greenhouse gas emissions that may impact climate change. As an example, under existing programs, LBGO offers incentives to customers that pursue environmentally-friendly electric generation technology.

The Aquarium of the Pacific (AOP) contacted LBGO for assistance with its proposal to purchase and install natural gas powered fuel cell units to provide the AOP with its base load of electrical power. While AOP expects these fuel cells to lower its electrical costs somewhat and provide an extremely clean source of energy, the project would be economically unfeasible to the AOP without a slight reduction in the cost of natural gas service from LBGO.

In addition to routine gas transmission and service charges, LBGO currently charges a \$0.05/therm surcharge on the natural gas commodity supplied to electric generation customers. On a case-by-case basis, LBGO may increase or decrease this surcharge up to \$0.03/therm, subject to approval of City Council. To achieve economic feasibility for the proposed AOP fuel cell project, a full reduction of the \$0.05 surcharge is necessary. This reduction is recommended to facilitate AOP's utilization of a new, environmentally-friendly technology which will also result in increased natural gas sales for LBGO.

To allow LBGO greater flexibility to incentivize similarly environmentally-friendly technologies, it is also recommended that the City Council increase LBGO's ability to adjust the current maximum allowable surcharge adjustment to \$0.05/therm, on a case-by-case basis as approved by City Council, for Electric Generation (Schedule 7) customers.

This matter was reviewed by Deputy City Attorney Richard Anthony on December 23, 2014 and by Budget Management Officer Victoria Bell on November 21, 2014.

City Council action is requested on January 20, 2015, in order to implement the change to the Electric Generation (Schedule 7) gas surcharge effective for service received by the AOP on or after February 1, 2015.

This action is anticipated to result in increased natural gas sales revenue for LBGO due to an incremental increase in gas sales to the AOP. There is no local job impact associated with

this action

Approve recommendation.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH APPROVING
CHANGES TO THE SCHEDULE OF GAS RATES AND SURCHARGES.

CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH GAS AND OIL

APPROVED:

PATRICK H. WEST
CITY MANAGER