



SENT TO COUNCIL:

Forwarded on:

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by Council Liaison's Office

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jose Obregon

SUBJECT: WATER POLLUTION CONTROL
PLANT AND CONVENTION CENTER
NATURAL GAS AGREEMENTS

DATE: March 8, 2004

Approved

Date

3.08.04

INFORMATION

On February 11, 2004, Pacific Gas and Electric Company (PG&E) notified the Environmental Services Department (ESD) Water Pollution Control Plant and the Convention, Arts and Entertainment (CAE) Convention Center facility that their current natural gas rate schedule, referred to as G-COG, would be eliminated as of April 1, 2004. This action is in accordance with the California Public Utilities Commission's Decision # 03-12-061. PG&E provided each facility with the option to either elect to retain the natural gas procurement and delivery from PG&E under a rate schedule referred to as GNR2, or to seek a third party supplier for the natural gas commodity, utilizing a rate schedule referred to as G-EG. Under the third party option, gas delivery would occur by way of utilizing the existing PG&E distribution system.

Based on a review of these options by General Services, ESD and CAE, it has been determined the G-EG rate schedule is more financially advantageous compared to the GNR2 rate schedule. Based on historical consumption trends at the Water Pollution Plant and the Convention Center, and by applying the unit costs of the new G-EG rate schedule, the Water Pollution Control Plant and the Convention Center can avoid, on an annual basis, nearly \$1.5 million and \$160,000 respectively in increases in natural gas expenditures compared to what PG&E would have charged under its new rates.

Since a third party natural gas supply contract is required by mid-March 2004 to avoid operational issues, staff has elected to utilize an agreement with the State of California's Department of General Services, a public agency, to meet the supply requirements of both facilities. The use of this agreement allows for application of the G-EG rate schedule, can be executed in an expedited timeframe and is in line with procurement policies. The City will benefit with the resulting cost avoidance of \$1.66 million annually by contracting with the State of California's Department of General Services.

If you have any questions, please contact me at 938-2025. Thank you.

Jose Obregon
Director of General Services