

MINUTE ITEM

8/21/75
CVB

20. DRY GAS VALUATION, LONG BEACH TIDELANDS, LOS ANGELES COUNTY.

The attached Informative Calendar Item 20 was submitted to the Commission for information only, no action thereon being necessary.

Attachment:

Informative Calendar Item 20 (1 page)

A 52, 57, 58
S 27, 31

DRY GAS VALUATION, LONG BEACH TIDELANDS

After nearly 2-1/2 years of negotiations between the City of Long Beach and the State Lands Division, the City has agreed to continue to pay the State for Long Beach Tideland residue dry gas on the basis of the terms of the City-State pricing method approved by the Commission in December 1967. Commencing in January 1973, the City unilaterally stopped making upward adjustments in the price paid for tidelands gas, as provided for in the 1967 formula, and froze the price at 40.05 cents per mcf. Present statutes fail to provide for resolution of differences between the City and State relative to the value of tidelands gas and mutual agreement is required.

As the result of the recent agreement, the City has made additional payments to the State in excess of \$1.45 million for tidelands dry gas taken by the Long Beach Gas Department during the period January 1973 through June 1975.

Commencing July 1, 1975, the City is paying an interim price of 61.46 cents per thousand cubic feet to the State for Long Beach tidelands gas received into its municipal system. This interim price is the average price paid for tidelands gas during the first six months of 1975 and is already below current gas prices. The price will be adjusted upward retroactively in January 1976 for the last six months of 1975 under the terms of the 1967 formula.

Negotiations are continuing on the issues of the reasonable wholesale market value for Long Beach Tidelands gas including a retroactive adjustment resulting from a recent Federal Power Commission rate case settlement substantiating under payment to Los Angeles Basin gas producers since 1969.

In the event that the State and City cannot agree in the future to proper gas pricing, the Staff will bring the matter back to the State Lands Commission so that further steps can be taken to assure receipt of fair wholesale market value for natural gas obtained in the Long Beach tidelands.