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DEPARTMENT

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Date: January 23, 2007
To:  Gerard R. Miller, City Manager
From: Christopher J. Garner, Director of Long Beach Gas and Oil 
For: Mayor and Members of the City Council
Subject: Sound Energy Solutions Offer

Today's article in the Press Telegram regarding the Port's decision to terminate the EIR and negotiations with Sound Energy Solutions (SES) erroneously indicated that the "deal (offered by SES) included ... \$100 million up-front for the city's general fund."

For clarification, at no time has SES offered anywhere near \$100 million up-front to the General Fund. The latest offer (January 19, 2007) from SES, pertaining to the scope of negotiations authorized by the City Council, included:

- a one-time payment of \$5 million to the General Fund upon SES receiving final permits (estimated 2008)
- \$3 million per year in pipeline revenues to the General Fund, beginning with the first year of operation of the terminal. Estimated time frame of years 2012-2036
- \$1.67 million per year in pipeline revenues to the General Fund, beginning with year 26 of terminal operation and ending with year 40. Estimated time frame of years 2037-2051

This equates to a total of \$105 million to the General Fund payable over a 44-year period with only \$5 million of that total amount received prior to the year 2012. SES indicated that it was willing to move more of the value to the near term by reducing the value offered over the long term but the overall value offered would remain unchanged.

In addition, the latest SES offer maintains the previous offered level of a \$0.015 per therm gas supply discount over 25 years for Long Beach Gas and Oil's customers. This equates to a \$0.60 discount on the average single-family resident's monthly utility bill.

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MCC re SES Offer.doc

cc: James C. Hankla, President – Board of Harbor Commissioners
 Members, Board of Harbor Commissioners
 Richard D. Steinke, Executive Director – Harbor Department
 Robert E. Shannon, City Attorney
 Christine F. Shippey, Assistant City Manager