



The City of Long Beach

BEVERLY O'NEILL, MAYOR

January 8, 2001

The Honorable Gray Davis
Governor
State of California
State Capitol Building
Sacramento, CA 95814

SUBJECT: Statewide Energy Crisis

Dear Governor Davis:

The City of Long Beach appreciates your leadership and joins you in your concern regarding energy deregulation and other matters related to soaring energy and gas costs throughout our State.

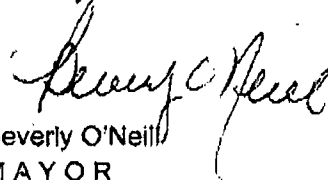
Like many other cities in California, our residents' utility bills have doubled, and in many cases tripled over the last two months. We recognize that the consequence of increasing gas and utility prices is not limited to local concerns, but that the economic well being of the entire state is in jeopardy. However, in being one of the few cities in the state that manages its own gas service for businesses and residents, Long Beach faces increased challenges because of our need to purchase gas on the open market.

The price of natural gas has increased nation-wide. However, we believe that the market for wholesale natural gas at the California border has exhibited significant distortions and is not demonstrative of the properties of a truly competitive market. The wholesale price for gas in the Southern California region has been significantly higher than all other areas of the country. As a result of the lack of workable competition, consumers throughout Southern California are being victimized, and charged disproportionately higher prices for their natural gas commodity.

As the Mayor of the City of Long Beach, I respectfully request that you call for an immediate review of the California wholesale gas market as well as appropriate action by the California Public Utilities Commission and the Federal Energy Regulatory Commission to remedy this unfortunate situation. Furthermore, we would support any effort by you or on the part of the legislature to provide policies that offer emergency assistance funds to California natural gas consumers currently bearing the direct cost burden of an irregular natural gas market.

Again, Governor Davis, we thank you for your leadership on this issue. We look forward to working with your administration, the legislature, and our fellow cities to find a viable solution to this untimely crisis.

Cordially,


Beverly O'Neill
MAYOR