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A DEPARTMENT OF THE CITY OF LONG BEACH

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CHRISTOPHER J. GARNER
DIRECTOR

May 13, 2003

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Memorandum of Understanding Between Long Beach Energy and Sound Energy Solutions (Citywide)

DISCUSSION

Sound Energy Solutions (SES), the registered business name of California LNG Project Corporation, a California corporation, seeks to develop, finance and construct a Liquefied Natural Gas (LNG) terminal, storage and regasification facility (LNG Facility) within the City of Long Beach (City), which would be located in the Port of Long Beach. An LNG terminal would provide another competitive source of natural gas supply to the Long Beach region. If the project is approved following the completion of relevant environmental documentation and the issuance of all necessary federal, state and local permits, it is contemplated to be operational by the end of 2007.

A Memorandum of Understanding (MOU) is sought between SES and the City through Long Beach Energy (LBE) to enter into discussions and negotiations with SES about a future long-term natural gas contract and the development, financing, construction, operation and maintenance of gas pipelines which interconnect with the proposed LNG Facility. These discussions would be considered confidential in nature because they involve SES proprietary information including, but not limited to, SES technical and design details, trade secrets, proprietary trading practices, commercial pricing methodology, potential customers, facility operation and maintenance, potential financing/lenders, and other information not available to the public but necessary to disclose to LBE in these discussions.

This matter was reviewed by Deputy City Attorney Carol Shaw on April 30, 2003 and by Budget Manager Mike Killebrew on May 5, 2003.

TIMING CONSIDERATIONS

While it is contemplated that the proposed LNG Facility and gas pipelines would not be operational until the end of 2007, SES has requested the MOU to be signed as soon as possible to assist SES in its ability to market the potential of an LNG terminal in Southern California to potential customers and to regulatory agencies.

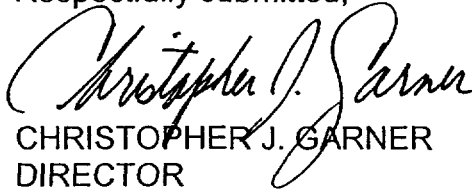
FISCAL IMPACT

No impact is anticipated at this time. The discussions regarding the future long-term natural gas contract and the pipelines will be non-binding.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Authorize the City Manager to execute a Memorandum of Understanding with Sound Energy Solutions for the purpose of discussions about a future long-term gas contract and the feasibility and development, financing, construction, operation and maintenance of gas pipelines to the proposed LNG Facility.

Respectfully submitted,


CHRISTOPHER J. GARNER
DIRECTOR

CJG:AM:cr

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APPROVED:


GERALD R. MILLER
ACTING CITY MANAGER