

Natural Gas Prices

Long Beach City Council
January 24, 2023

Residential Gas Bill

GAS SERVICE CHARGE

Fixed daily service charge,
about \$5 per month

TIER I USAGE

Volumetric charge applied against
the first therms used, up to about
52 therms during a winter month

TIER II USAGE

Higher volumetric charge applied
against any usage above 52 therms

AB 32 CA CARBON REDUCTION

In compliance with State legislation,
a fee related to greenhouse gas
emission reductions

REGULAR BILL

GAS

\$249.86

SERVICE PERIOD: 12/18/22 TO 1/19/23

METER READ: 1863 - 1926

BTU Conv Factor 1.037576

	<u>THERMS</u>	<u>RATE</u>	<u>TOTAL</u>
GAS SERVICE CHARGE	(32 DAYS)	0.164400	5.26
TIER I USAGE	54	0.747400	40.36
TIER II USAGE	11	1.072400	11.80
COST OF GAS	65	2.840588	184.64
(AB32) CA CARBON REDUCTION	65	0.12	7.80

COST OF GAS

Actual market cost of the gas commodity,
passed directly to the customer without markup



Comparison 2022-2023

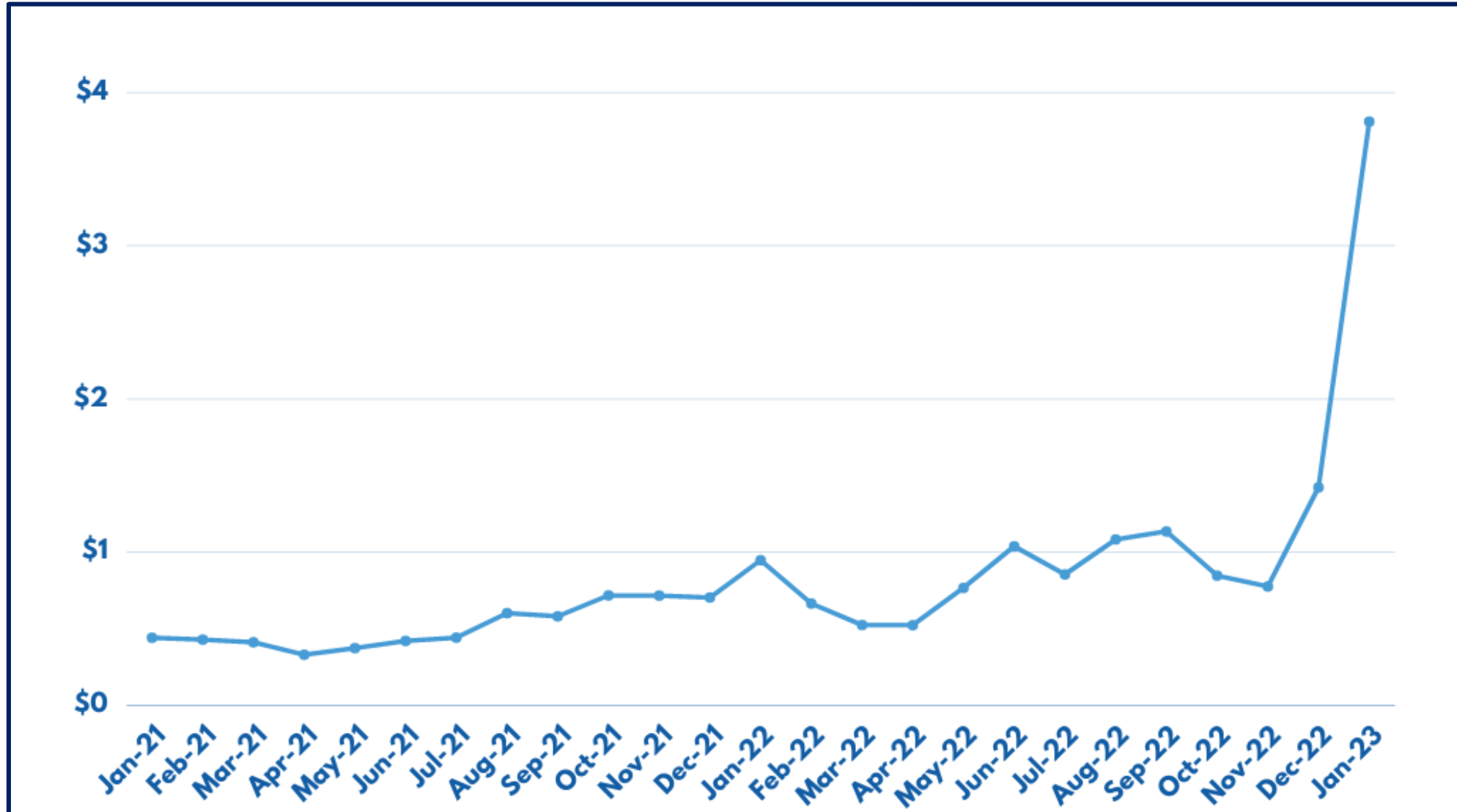
AVERAGE SINGLE FAMILY HOME

USAGE: 65 THERMS

	JANUARY 2022		JANUARY 2023		CHANGE
	<u>RATE</u>	<u>TOTAL</u>	<u>RATE</u>	<u>TOTAL</u>	<u>2022-2023</u>
DAILY SERVICE CHARGE	\$0.1644	\$5.10	\$0.1644	\$5.10	\$0
TIER II USAGE 52 THERMS	\$0.7474	\$38.86	\$0.7474	\$38.86	\$0
TIER II USAGE 13 THERMS	\$1.0724	\$13.94	\$1.0724	\$13.94	\$0
	SUBTOTAL	\$57.90	SUBTOTAL	\$57.90	\$0
AB 32 FEE	\$0.0680	\$4.42	\$0.1200	\$7.80	\$3.38
COST OF GAS	\$0.9451	\$61.43	\$3.8101	\$247.66	\$186.23
	TOTAL	\$123.75	TOTAL	\$313.36	\$189.61



Natural Gas Commodity Price



The Cost of Gas

- Reflects **current market price** of wholesale gas
- Price is set on the **first business day of each month**
- Price is largely based on the published **market price index** — the average price paid by gas buyers at the California border
- The “**First of the Month**” price sets the base price for nearly all gas purchased for Long Beach customers that month, including gas purchased under long-term contracts
- Long Beach also benefits from access to some **locally produced gas**

The Cost of Gas

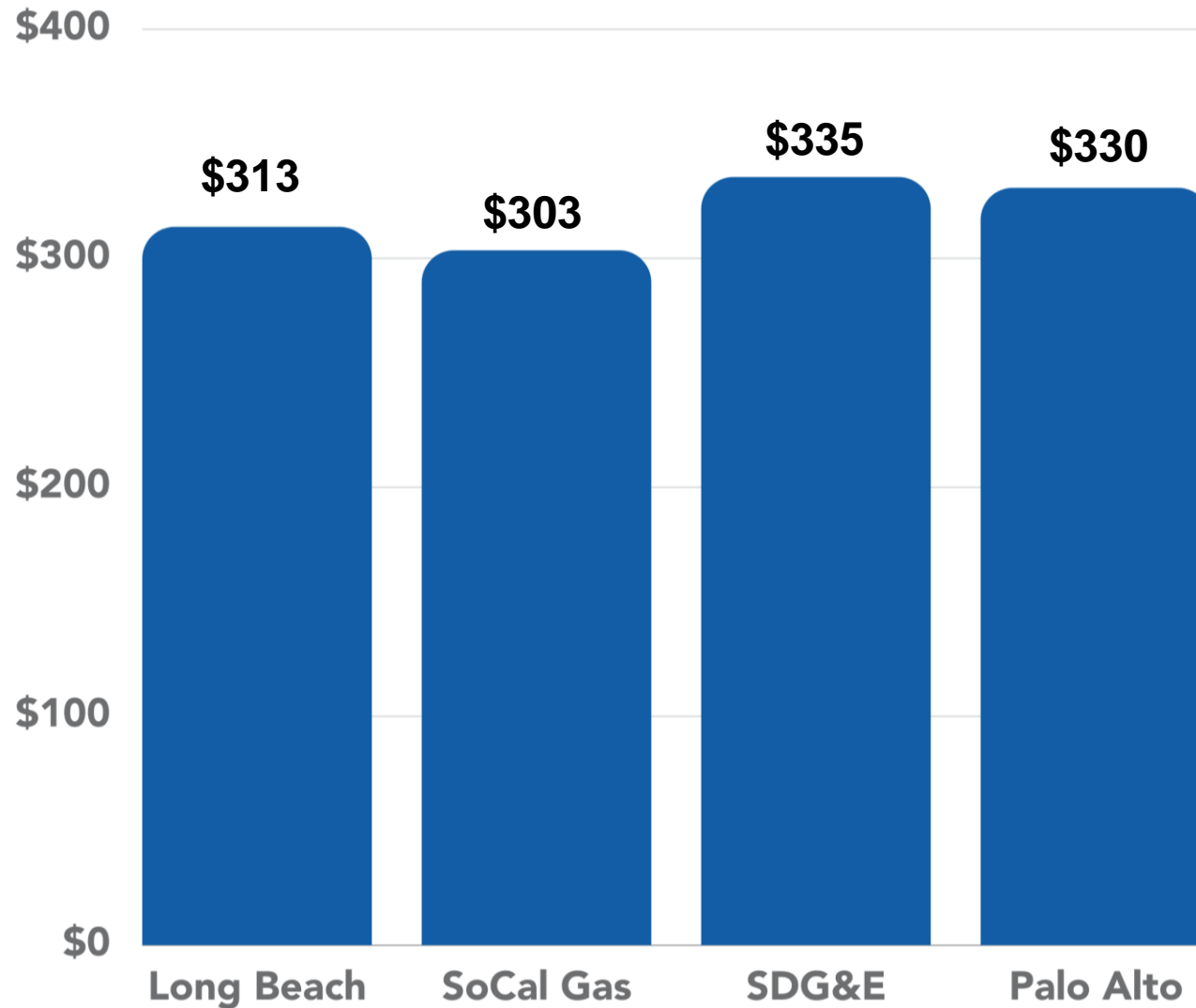
- Long Beach passes the cost of gas directly to customers, **without any markup**
- Price of gas is posted publicly each month for customers to see
- Customers can **adjust their gas usage** to lessen impact to utility bill

Long Beach Utilities does not generate any profit from higher natural gas prices

High Market Prices Factors

- The gas market price is derived from **supply and demand**
- California **imports 90%** of its supply from other states and Canada
- **Demand factors** impacting current high prices include:
 - Recent colder **weather** throughout California
 - Increased usage of natural gas to fuel **electric generation plants**
- **Supply factors** impacting current high prices include:
 - Maintenance and repairs on **interstate pipelines** that have reduced supplies
 - **Reduced storage** capacity, lowest storage inventory in last five years

Statewide Situation



January Gas Bills

Average family
65 therms



Change in Purchasing Strategies

- **Long Beach Utilities** assumed responsibility of gas purchasing in January
- **Took immediate action on Day One** to adjust gas purchasing strategies, **saving Long Beach ratepayers millions of dollars** in gas commodity costs in the month of January
 1. Maximized withdrawals of much less-expensive storage inventory, offsetting gas we would otherwise buy at full market rates
 2. Invoked a clause in local gas purchase contract with the State of California, saving \$4.5 million for customers
 3. Applied \$1.3 million in unused reserves to soften customer impacts

Emphasizing Public Awareness

- The creation of Long Beach Utilities immediately created **greater transparency** and oversight from the Board of Utilities Commissioners
- Multilingual outreach campaign:
 - Press release, widespread media coverage and interviews
 - Direct mailer to all 150,000 customers in Long Beach and Signal Hill
 - Bill stuffer
 - Robo calls
 - Messaging via social media, including paid advertising
 - Messaging via websites
 - Print advertising in Press-Telegram, LB Post, LB Business Journal
 - Spanish, English ad displays in 65 local grocery stores
 - Electronic billboard off the 405 freeway
 - Direct outreach, flyers to council offices and community groups



Customer Outreach



CONSERVE NOW!
GAS BILLS ARE GOING
WAY UP

All of Southern California is seeing drastically higher prices for natural gas, and that means increased bills for our customers.

Long Beach Utilities continues to monitor market prices for the gas commodity and work to get the best deal for residents and businesses. But we're encouraging everyone to do what they can to conserve now to lower their bill as much as possible.

On your gas bill, there's a line item called "Cost of Gas," which is the only rate on your bill that changes month-to-month. This represents the cost for the gas commodity itself and is based on how much gas is used.

Long Beach Utilities purchases natural gas on the wholesale market and passes that cost directly to the customer – the utility does not take a profit on the gas commodity provided to customers and there is no markup.

The skyrocketing wholesale natural gas prices are attributable to colder-than-normal temperatures in the West, increased use of gas to generate electricity, pipeline failures and maintenance and historically low natural gas storage in California.

Long Beach Utilities has taken immediate steps to mitigate customer impacts, including:

- Maximizing withdrawals of our less expensive storage inventory
- Taking advantage of an option in the local gas purchase contract with the state to save \$4.5 million
- Applying \$1.3 million in unused reserves to soften customer impact

We also offer extended payment plans, low-income discounts and other assistance programs to help those struggling to pay. And we are diligently working to shift gas purchasing strategies to ensure greater price stability and customer protection going forward.

— Struggling to pay? Don't worry —

Find energy saving tips, frequently asked questions and more at longbeach.gov/energyresources. To set up a payment plan, call (562) 570-5700



រក្សាទុកឥទ្ធិពលនេះ
វិញ្ញាបត្រឧស្ម័នរបស់អ្នកកំពុងកើនឡើង។

តម្លៃឧស្ម័នធម្មជាតិកំពុងកើនឡើងយ៉ាងច្រើននៅទូទាំងរដ្ឋកាលីហ្វ័រញ៉ាកាត់ខាងត្បូងទាំងអស់ ដែលមានន័យថា វិញ្ញាបត្ររបស់អតិថិជនរបស់យើងកំពុងកើនឡើង។



Magtipid na Ngayon
Pataas nang pataas ang inyong bayaring gas

Ang buong Katimugan ng California ay nakakakita ng biglaang pagtaas ng presyo ng natural gas, at ito ay nangangahulugang pagtaas ng mga bayarin para sa mga customer.

CONSERVE AHORA



Su factura del gas está subiendo

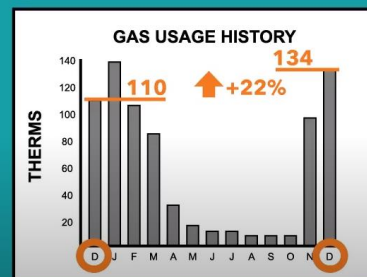
Consejo útil:
Caliente su casa con luz solar natural durante el día

Estamos aquí para ayudar



UNDERSTANDING YOUR GAS BILL

HISTORICAL USAGE



Check to see how much gas you used during the same month last year.



Media Coverage

KPCC | 89.3FM


SoCal Residents Can Expect Steep Jump To Natural Gas Bills. Here's Why

▶ LISTEN • 14:46

Natural gas bills across the Southern California region are expected to more than double this winter season. The historic spike, according to major utilities like SoCal Gas and Long Beach Utilities, is due to several factors. A sudden drop in temps across the entire country, California's persistent drought along with the ongoing war in Ukraine are all playing a part in the spike. So what does California's erratic weather mean moving forward? And how does President Joe Biden's commitment to increase American exports of natural gas to Europe impact local utility bills? Plus, what resources are available? Joining to discuss is **Lauren Howland**, spokesperson for Long Beach Utilities, and **Severin Borenstein**, professor and faculty director of the Energy Institute at UC Berkeley's Haas School of Business and member of the California ISO Board of Governors.



Member-supported
LONG BEACH POST News



A temporary posting is in place as the Long Beach Gas Department replace the old gas line at the 5900 block Gundry Ave. in Long Beach Wednesday, Jan. 11, 2023. Photo by Thomas R. Corlova.

NATURAL GAS JAN 12 2:37 PM

Natural gas prices show signs of decline, but officials still caution customers to expect big bills

Jason Ruiz f

Long Beach Utilities officials are optimistic that the historically high natural gas prices—which have resulted in shockingly high bills for customers—could be returning closer to normal in the coming months. But they're still cautioning residents that this month's bills could be expensive.

Chris Garner, general manager of the city's Utilities Department, said Thursday that the wholesale purchase price of natural gas at the California border has dropped by about 50% since the start of the month, and it's his expectation that things will return to normal "fairly quickly."

"That's still about double of normal pricing, so we still have some room to go," Garner told the Utilities Commission during a Thursday morning special meeting.

Natural gas prices have just about quadrupled since January 2022, when the cost of one therm of natural gas was just under \$1. Now, it's nearly \$4.

≡ PRESS-TELEGRAM News | Your natural gas bills to jump...

Your natural gas bills to jump 'shockingly high' SoCalGas warns

The cold snap, the drought and Russia's war in Ukraine are fueling huge

f t r p



FILE — Pipes at the landfill facilities of the 'Nord Stream 2' gas pipeline in Lubmin, northern Germany, Tuesday, Feb. 15, 2022. European leaders and businesses fear that Russia's manipulation of natural gas supplies would lead to an economic and political crisis in winter. (AP Photo/Michael Sohn, File)

By KRISTY HUTCHINGS | khutchings@scng.com |
PUBLISHED: January 6, 2023 at 2:06 p.m. | UPDATED: January 7, 2023 at 11:10 a.m.

Southern California residents, get ready for a severe case of sticker shock as your natural gas bills across the region soar more than double this winter, according to the region's two chief utility companies.

Customer Assistance

- **Payment Arrangement Plan** spreads charges over several months
 - Applications available online, in person, or via call center
 - Up to 36 months
- **Moratorium on gas shutoffs**



Customer Assistance

- **Low-Income Discount:** 20% discount for income-qualified customers
- **Home Energy Assistance Program:** annual, federally-funded assistance for qualifying customers to pay past-due winter gas bills
- **Low-Income Senior and Low-Income Disabled Utility Users Tax Exemption Program:** 20% percent discount on gas bill, six billing units of water use at no cost, \$5 per month bill credit, exempt from utility users tax on gas, water, electric and phone bills
- **Medical Baseline Therm Allowance:** additional allocation of therms at the lower Tier 1 rate for customers with qualifying medical needs



Correcting Misinformation

THE FACTS:

- All of California is experiencing very high gas bills
- Board of Utilities, City Council have not raised gas rates this winter
- There has only been one gas rate increase in the past six years, in 2019
- The gas utility does not realize any profit from high gas commodity costs
- The utility merger did not cause, in any way, these high gas bills
- The merger did enable ratepayers to see lower gas bills than they would have otherwise due to immediate actions taken by Long Beach Utilities
- The merger has already increased transparency and enhanced communication, outreach to our gas utility customers



Looking Forward

- The current price of natural gas at the California border has **dropped about 50 percent** since the beginning of January but still much higher than normal
- Market prices in the **rest of the country have normalized** and prices in California are expected to follow
- Warmer weather and **easing of current interstate pipeline constraints** expected in coming months
- Federal Energy Information Administration projects a **25 percent decrease in basin natural gas prices in 2023**



Looking Forward

- Long Beach Utilities is **reevaluating gas buying strategies**, to focus on both price stability and price protection for our customers
- Revised strategies to include:
 1. Maximizing **storage injections** to provide lower-priced gas during periods of high market prices
 2. Implementing **price hedging** once market conditions are more favorable, to provide benefits of both market pricing and fixed pricing
 3. Renegotiating **local gas contracts** to allow flexibility to adjust price paid if the market price drops during the month



LONG BEACH
Utilities
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