



## Legislation Text

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**File #:** 16-0880, **Version:** 1

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Recommendation to adopt resolution authorizing City Manager to adjust certain rates for natural gas service to reflect market conditions by implementing Gas Rate Schedules 1 through 5, 7, 9, and special conditions and incentives in Exhibits A and B. (Citywide)

The Long Beach Gas and Oil Department (LBGO) operates and maintains a pressurized natural gas pipeline system that consists of over 1,900 miles of aging underground pipelines and approximately 150,000 gas meters. The pipeline system includes both steel and plastic pipes, with the bulk of the current system installed from the 1930s through the 1960s, with some pipelines installed in the 1920s still in operation. With a clear correlation between the age of the pipeline and the vulnerability to leakage, it is imperative that LBGO continually reinvest gas ratepayer revenues into pipeline infrastructure to maintain safe operation.

In order to ensure safe and reliable natural gas systems nationwide, federal and state regulators have increased oversight of how natural gas utility systems are operated and maintained. Compliance with these regulations, along with other safety and environmental requirements, has financially impacted gas utilities statewide. The California Public Utilities Commission (CPUC) recently authorized increases to the gas transmission rates charged by Southern California Gas Company (SoCalGas) and San Diego Gas & Electric (SDG&E) to ratepayers effective August 1, 2016. The CPUC approved these rate increases to provide SoCalGas and SDG&E the necessary monies to fund replacement of aging natural gas pipeline infrastructure, to fund pipeline integrity programs as required by federal regulations, and to facilitate compliance with federal and state environmental regulations. With like regulatory, environmental, and operational requirements for its own gas utility's operation, LBGO's utility costs are impacted similarly to those of other California gas utilities.

In order to fund operations, pipeline maintenance, and regulatory costs, natural gas utilities charge customers volumetric transmission rates, which vary based on customer classification. Revenue collected from the transmission of natural gas not only depends on the actual rates, but also the amount of gas used by a utility's customers. Due to the increased use of energy-efficient appliances and water heaters, along with improved construction techniques, SoCalGas, SDG&E, and LBGO have all experienced a significant decrease in the amount of natural gas used by customers. Between FY 06 and FY 15, natural gas used by all LBGO customers decreased approximately 36 percent. The decrease in the amount of natural gas used by customers, along with an increase in pipeline maintenance and regulatory costs, required gas utilities operating in California to increase transmission rates for most rate classifications to meet operational needs.

LBGO routinely reviews its gas utility rates against those charged by SoCalGas and other

surrounding gas utilities pursuant to Long Beach City Charter Section 1502 and Municipal Code Section 15.36.100. To continue to provide quality customer service to its 150,000 customers and to adequately fund the pipeline and regulatory needs of its gas utility, as well as maintain comparability with the surrounding marketplace, LBGO is recommending that City Council approve gas rate adjustments for all LBGO customer classifications including residential, commercial/industrial, compressed natural gas, electric generation, and transportation (Attachment 1). For the average residential customer, the recommended rate adjustment would result in an estimated monthly increase of \$0.87 (an approximate increase of 3 percent).

The proposed rate changes only affect the transmission rates for all customer classifications. The commodity price charged to all customer classifications will continue to reflect the actual fluctuating monthly market price of natural gas along with any associated costs with receiving that gas. In addition to adjustments in the gas rate schedules, Exhibits A and B (special conditions and incentives) are included under this Resolution to be readopted. There are no changes to Exhibits A and B.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on August 16, 2016 and by Revenue Management Officer Julissa José-Murray on August 22, 2016.

City Council action is requested on September 20, 2016, to implement the gas rate changes effective for service received on or after October 1, 2016. The rate changes are intended to establish Long Beach gas utility service charges and transmission rates comparable with those of other like utilities pursuant to Section 1502 of the Long Beach City Charter, and to adequately fund pipeline integrity programs as required by federal regulations.

It is estimated the rate change will generate a \$1.9 million increase in revenues to the Gas Fund (EF 301) in the Long Beach Gas and Oil Department (GO). The actual amount of revenues will vary depending upon the demand for natural gas during the year. The resulting revenues will be utilized to assist LBGO in its ongoing investments in customer service, pipeline replacement, and meeting pipeline safety and environmental regulations. There is no local job impact associated with this recommendation.

Approve recommendation.

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ROBERT DOWELL  
DIRECTOR OF LONG BEACH GAS AND OIL

APPROVED:

PATRICK H. WEST  
CITY MANAGER