



Legislation Details (With Text)

File #:	20-1130	Version:	1	Name:	ER - Adjust certain rates for natural gas service
Type:	Resolution	Status:		Status:	Adopted
File created:	6/4/2020	In control:		In control:	City Council
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Title: Recommendation to adopt resolution authorizing City Manager, or designee, to adjust certain natural gas transmission 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; and

Sponsors:

Indexes:

Code sections:

Attachments: 1. 111720-R-69sr&att.pdf, 2. 111720-R-69 PowerPoint.pdf, 3. RES-20-0150.pdf

Date	Ver.	Action By	Action	Result
11/17/2020	1	City Council	approve recommendation and adopt	Pass

Recommendation to adopt resolution authorizing City Manager, or designee, to adjust certain natural gas transmission 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; and

The Energy Resources Department (ER) operates and maintains a pressurized natural gas pipeline distribution system that consists of over 1,900 miles of underground pipelines and approximately 154,000 customer meters. ER's existing natural gas pipeline system includes both steel and polyethylene pipes, with 52 percent of the pipeline system in service today having been installed in the 1930s through the 1960s, and a very small percentage installed in the 1920s. Due to the correlation between the age of natural gas pipeline systems and the consequent potential for leaks to occur, it is imperative that ER continually reinvest ratepayer revenues into its natural gas pipeline system to safely maintain operations.

To ensure safe and reliable natural gas pipeline systems nationwide, federal and state regulators have increased their oversight of how natural gas pipeline systems are to be safely operated and maintained. Compliance with these regulations, along with other safety and environmental requirements, has financially impacted natural gas utilities nationally as well as statewide. Over the past four years, the California Public Utilities Commission (CPUC) has authorized multiple increases to the rates charged by the Southern California Gas Company (SoCalGas) and San Diego Gas & Electric (SDG&E) to their ratepayers. Most recently, on January 1, 2020, the CPUC authorized a rate increase for SoCalGas that resulted in its residential natural gas transmission rates now being 32 percent higher than ER's current residential natural gas transmission rates.

The CPUC authorized the rate increases to provide SoCalGas and SDG&E the necessary

revenues to fund replacement of their aging natural gas pipeline infrastructure, to fund pipeline integrity programs as required by federal and state regulations, and to facilitate compliance with federal and state environmental regulations. With similar regulatory, environmental, and operational requirements for its own natural gas pipeline infrastructure, ER's costs are impacted similar to the other California natural gas utilities.

Through efficient cost management and prudent operational practices, ER has not increased its natural gas transmission rates since November 1, 2016. However, due to continually increasing regulatory requirements and their associated costs, ER must now implement an increase to its natural gas transmission rates. For context, it is important to note that the natural gas transmission charge for ER's residential ratepayers accounts for approximately 50 percent of their total monthly bill amount. The proposed natural gas transmission rate increase will result in an estimated increase to the average residential monthly bill of \$2.35, or an effective 10.4 percent overall increase for approximately 77 percent of ER's residential ratepayers. The proposed natural gas transmission rate increase will also keep ER's residential rates 7 percent below current SoCaGas residential natural gas transmission rates. Residential ratepayers that consume higher volumes of natural gas than the average residential ratepayer can expect to see higher increases than those shown above.

The COVID-19 pandemic has had a dramatic impact on the ability of many of ER customers to pay their monthly utility bills. In March 2020, recognizing the financial distress that the pandemic has caused within the community, ER implemented several policies designed to relieve the financial burden related to the pandemic - these include the suspension of utility services interruptions and all utility-related late payment fees. ER additionally requests that the City Council permanently increase the Low-Income Gas Discount rate from 5 to 20 percent to better assist income-qualified residential customers in meeting their energy needs, now and in the future. The discount is applied to gas utility bills and the higher discount rate will align ER with similar discounts offered by gas utilities throughout the state.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on October 15, 2020 and by Revenue Management Officer Geraldine Alejo on October 29, 2020.

City Council action is requested on November 17, 2020, to implement the natural gas transmission rate changes effective for natural gas service received on or after December 1, 2020. The proposed natural gas transmission rate changes are intended to establish ER's natural gas utility service charges and natural gas transmission rates to be comparable or less than those of other like utilities, pursuant to Section 1502 of the Long Beach City Charter, and to adequately fund the natural gas pipeline integrity programs as required by federal and state regulations.

The proposed increase to natural gas transmission rates and higher discount rates for the Low-Income Gas Discount Program are estimated to generate a net annual revenue increase of \$8.7 million to the Gas Fund Group in the Energy Resources Department. The revenue increase from gas transmission rates is estimated at \$8.9 million and is based on the annual natural gas consumption figures over the last three years. These revenues will be utilized to assist the Energy Resources Department in its ongoing investments in customer service,

natural gas pipeline replacement, and meeting the requirements in federally and statewide mandated safety and environmental regulations. The increased discount rate offered through the Low-Income Gas Discount Program is anticipated to reduce annual revenues in the Gas Fund Group by \$220,000. Actual revenues received will vary depending upon the consumption of natural gas by customers during the year as well as discount program participation levels. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

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APPROVED:

THOMAS B. MODICA
ACTING CITY MANAGER