

Natural Gas Pricing

Board of Utilities Commissioners

January 12, 2023

Residential Gas Bill



- **Gas service charge**
 - Fixed daily service charge equates to about \$5 per month
- **Usage Charges**
 - Tier I, lower priced, volumetric charge applied against the first therms used, up to about 52 therms during a winter month
 - Tier II, higher priced, volumetric charge applied against any usage above 52 therms
- **Cost of Gas**
 - The actual gas commodity purchased in the market, passed through to the customer without any markup or profit
- **AB 32 Calif Carbon Reduction**
 - In compliance with State legislation, a fee related to greenhouse gas emission reductions

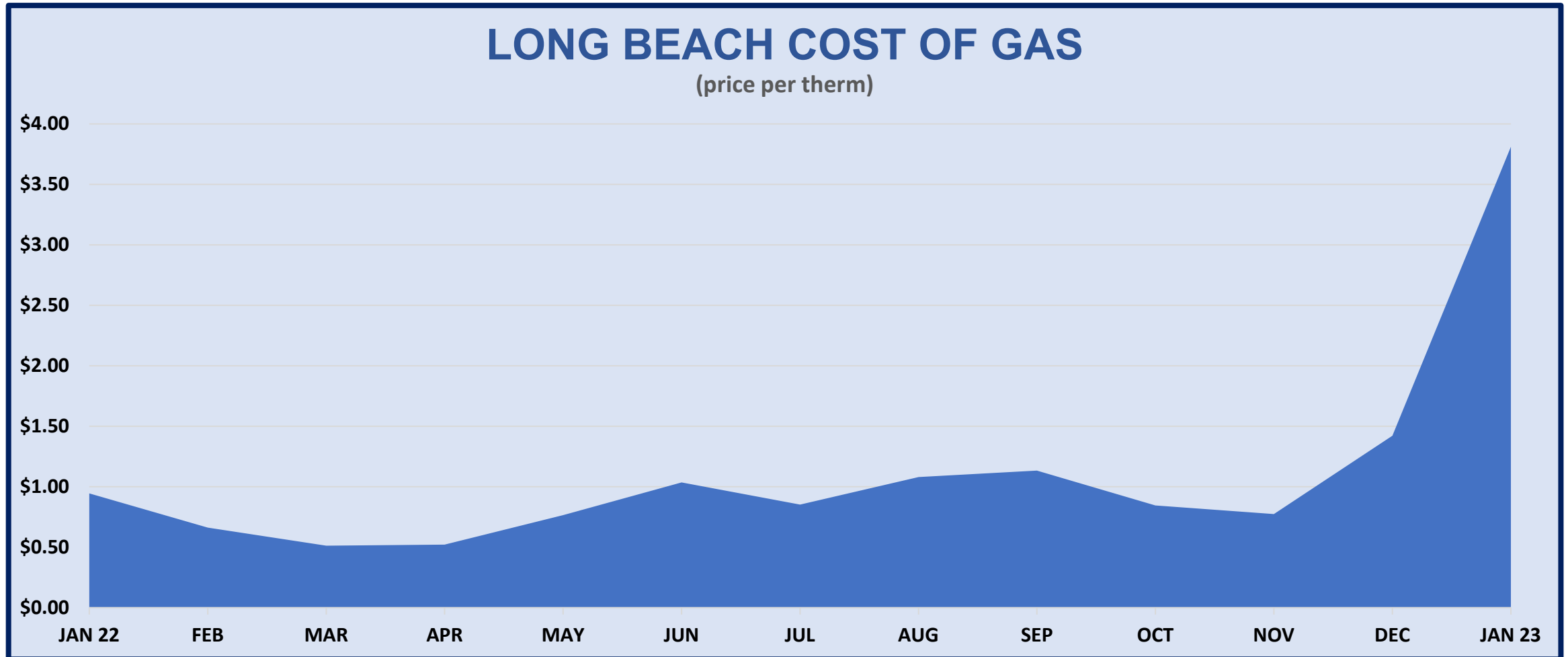
The Cost of Gas

- The Cost of Gas reflects the current market price for natural gas
- This fluctuates monthly, largely based upon the published market price index, reflecting the average price paid by gas buyers at the California border for any given month
- This “First of the Month” price sets the base price for nearly all gas purchased for our customers that month, including gas purchased under long-term contracts
- Long Beach also has the benefit of access to some locally produced gas priced at a discount

The Cost of Gas

- Per state regulation, Long Beach passes the cost of gas to customers monthly
- The intent of this billing practice is for natural gas consumers to be aware of current market prices, nearly on a real time basis, so that they can adjust their gas usage accordingly
- Importantly, the Cost of Gas charge does not include any markup to the customer and, therefore, **the City's gas utility does not generate any profit for high natural gas prices**

Natural Gas Commodity Price



High Market Prices Factors

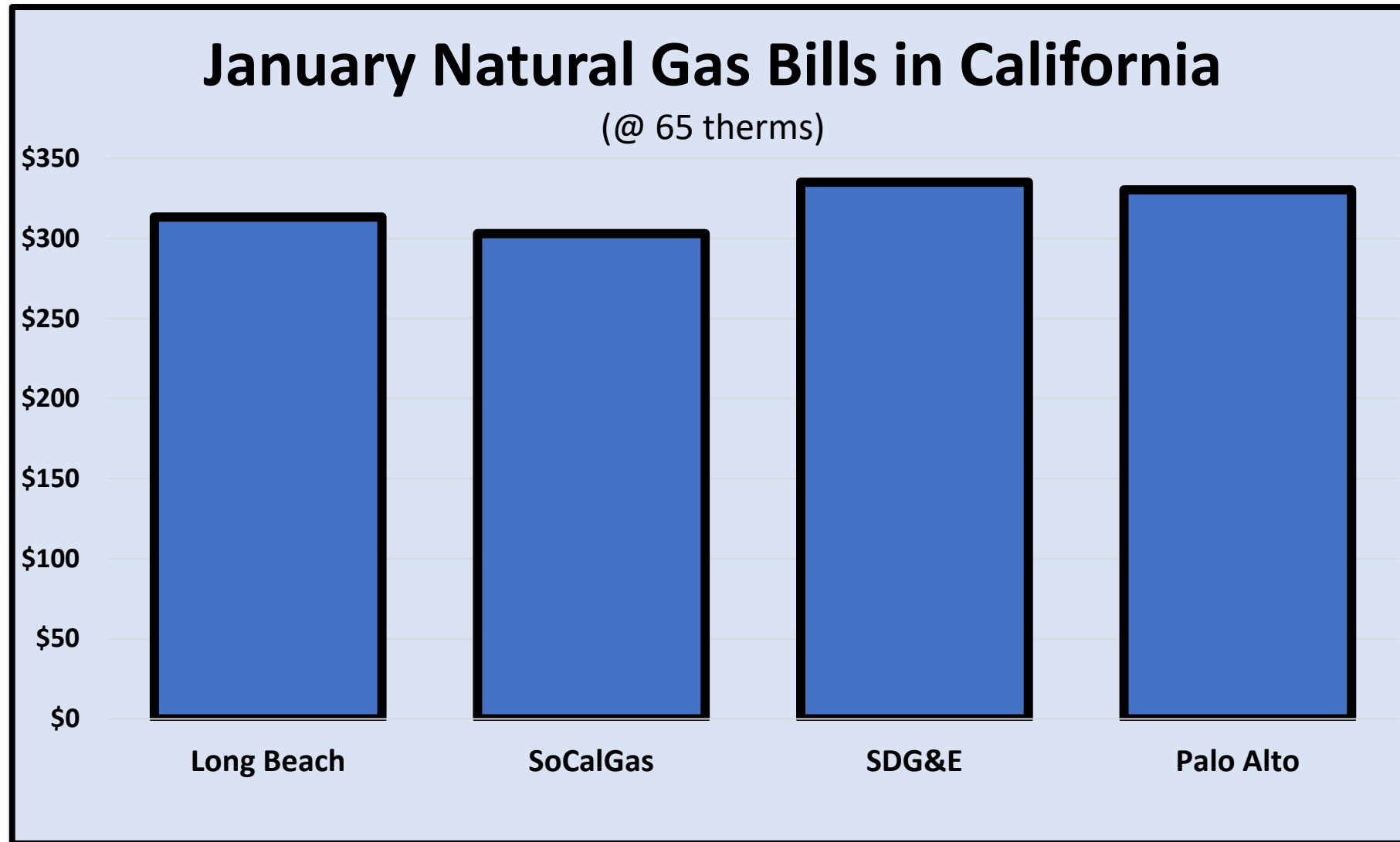
- The gas market price is derived from basic supply and demand, both real and perceived
- California imports more than 90% of our natural gas from other states and Canada
- Demand factors impacting current high prices include recent colder weather, increased usage of natural gas to fuel electric generation plants, and decreased ability to access storage supplies
- Supply factors impacting current high prices include maintenance and repairs on interstate pipelines that have reduced supplies, and storage levels at very low levels

Comparison of Average Gas Bill

Average January natural gas usage in a single-family home is about 65 therms

SINGLE FAMILY HOME											
JANUARY 2022						JANUARY 2023					Difference
Usage	65					Usage	65				No change
Daily Service Charge	\$0.1644	31		\$5.10		Daily Service Charge	\$0.1644	31		\$5.10	No change
Tier I Volumetric	\$0.7474	52		\$38.86		Tier I Volumetric	\$0.7474	52		\$38.86	No change
Tier II Volumetric	\$1.0724	13		\$13.94		Tier II Volumetric	\$1.0724	13		\$13.94	No change
Subtotal				\$57.90		Subtotal				\$57.90	No change
AB 32 Fees	\$0.0680	65		\$4.42		AB 32 Fees	\$0.1200	65		\$7.80	\$3.38
Cost of Gas	\$0.9451	65		\$61.43		Cost of Gas	\$3.8101	65		\$247.66	\$186.23
Total				\$123.75						\$313.36	\$189.61

Statewide Situation



Change in Purchasing Strategies

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

Emphasizing Public Awareness

- The creation of Long Beach Utilities is immediately allowing for greater transparency and the attention of a utility-focused Board of Utilities Commissioners
- Every effort is being made to inform customers (in multiple languages) of current high prices :
 - Press release issued
 - Direct mailer to all 165,000 gas customers in Long Beach and Signal Hill
 - Bill stuffer mailed to all customers
 - Robo calls made to all customers
 - Messaging via social media
 - Messaging and interviews via local print and electronic media, with
 - Several interviews on local news radio
 - Messaging via our websites
 - Messaging on the electronic billboard off the 405 freeway



Advice to Customers

Soaring natural gas prices and cold temperatures lead to much higher bills across Southern California



MEDIA RELEASE

Jan. 4, 2023

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LONG BEACH UTILITIES TAKING STEPS TO MITIGATE IMPACTS AND AVOID FUTURE PRICE SPIKES

LONG BEACH, CALIF. (JAN. 4, 2023) – Residents and businesses in Long Beach, Signal Hill and throughout Southern California will see a drastic increase in their natural gas bills this month as global market prices hit a 20-year high.

This follows already high tripled from December

The average single-family higher than in the warm combined with colder temperatures

Facing the highest natural on customers as much as percent less than those

Long Beach Utilities is offering conservation tips

Resources are available seniors, those with disabilities

Member-supported
LONG BEACH POST News

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A winter storm is expected to bring cold, rain and snow to Southern California. File photo.

NATURAL GAS

JAN 4 2:44 PM

Long Beach utility bills are going up due to colder weather, natural gas exports

Jason Ruiz

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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



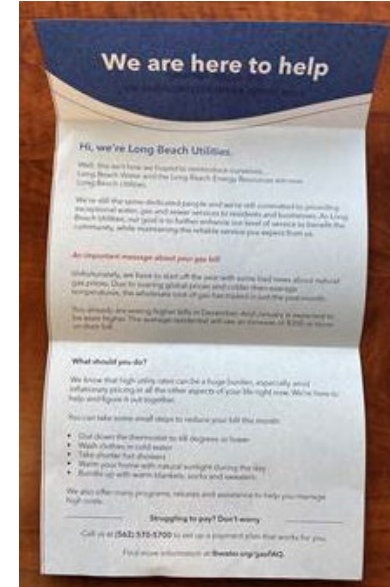
FILE – Pipes at the landfill facilities of the 'Nord Stream 2' gas pipeline in Lubmin, northern Germany, Tuesday, Feb. 15, 2022. European leaders and businesses fear that Russia's manipulation of natural gas supplies would lead to an economic and political crisis in winter. (AP Photo/Michael Sohn, File)

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.

Southern California Gas Company — a subsidiary of Sempra Energy that serves more than 21.8 million customers in Central and Southern California — along with Long Beach Utilities, the city's independent gas provider, recently warned customers to prepare for unavoidable increases in their gas bills this month.



GAS BILLS ARE GOING WAY UP

CONSERVE NOW!

Longbeach.gov/energyresources

Misinformation

As with any crisis, misinformation can exist which distracts from properly addressing the situation. Below are the facts:

- All of California is experiencing these very high gas bills
- Neither the Board of Utilities Commissioners or the City Council 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 Long Beach ratepayers to see lower gas bills than otherwise due to immediate actions taken by Long Beach Utilities
- The merger has already increased both transparency and communication with our gas utility customers



Looking Forward

- The current price of natural gas at the California border has dropped about 50% since the beginning of January
- However, the current price is still much higher than normal
- Market prices in the rest of the country have normalized and prices in California are expected to follow suit within the next month or so as warmer weather returns and current interstate pipeline constraints are eliminated
- This week, the federal Energy Information Admin projected a 25% decrease in basin natural gas prices in 2023. It is hoped this will also translate into lower natural gas prices in California



Looking Forward

- Long Beach Utilities is re-evaluating current long-term gas buying strategies to emphasize a focus on both price stability and price protection for our customers
- We will look to maximize our storage injections to provide low price gas available for withdrawal during periods of high prices
- All of the current gas purchasing is indexed to the First of the Month market price which leaves our customers subject to major market price fluctuations
- Price hedging is a critical tool that will be strongly considered for re-implementation by Long Beach Utilities when market conditions are more favorable as a means to better protect our customers





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