



## Legislation Text

File #: 23-0088, Version: 1

Recommendation to receive and file a presentation from the Long Beach Utilities Department on the increase of natural gas commodity prices statewide, impacts to customers' gas bills, communication outreach efforts to customers, the status of the natural gas commodity market statewide, and bill assistance and payment plan options made available to customers. (Citywide)

Beginning January 3, 2023, the City of Long Beach's (City) Utilities Department (Long Beach Utilities) assumed responsibility for the oversight and operation of the City's natural gas utility, serving Long Beach and Signal Hill ratepayers. As part of this transition, Long Beach Utilities' management also assumed responsibility of purchasing natural gas supplies on behalf of our 160,000 gas customers.

**All** natural gas customers in California are currently seeing extremely high utility bills, driven primarily by two factors: increased natural gas usage combined with the very, very high cost of natural gas.

The following chart below shows the increases in gas bills that an average single-family home might have experienced in the last three months.

| NOVEMBER 2022 - LONG BEACH |          |    |         | DECEMBER 2022 - LONG BEACH |          |    |          | JANUARY 2023 - LONG BEACH |          |    |          |
|----------------------------|----------|----|---------|----------------------------|----------|----|----------|---------------------------|----------|----|----------|
| Usage                      | 28       |    |         | Usage                      | 47       |    |          | Usage                     | 65       |    |          |
| Daily Service Charge       | \$0.1644 | 31 | \$5.10  | Daily Service Charge       | \$0.1644 | 31 | \$5.10   | Daily Service Charge      | \$0.1644 | 31 | \$5.10   |
| Tier I Volumetric          | \$0.7474 | 28 | \$20.93 | Tier I Volumetric          | \$0.7474 | 47 | \$35.13  | Tier I Volumetric         | \$0.7474 | 52 | \$38.86  |
| Tier II Volumetric         | \$1.0724 |    | \$0.00  | Tier II Volumetric         | \$1.0724 |    | \$0.00   | Tier II Volumetric        | \$1.0724 | 13 | \$13.94  |
| Subtotal                   |          |    | \$26.02 | Subtotal                   |          |    | \$40.22  | Subtotal                  |          |    | \$57.90  |
| Cost of Gas                | \$0.7700 | 28 | \$21.56 | Cost of Gas                | \$1.4200 | 47 | \$66.74  | Cost of Gas               | \$3.8101 | 65 | \$247.66 |
| Subtotal                   |          |    | \$47.58 | Subtotal                   |          |    | \$106.96 | Subtotal                  |          |    | \$305.56 |
| AB 32 Fees                 | \$0.1200 | 28 | \$3.36  | AB 32 Fees                 | \$0.1200 | 47 | \$5.64   | AB 32 Fees                | \$0.1200 | 65 | \$7.80   |
| TOTAL BILL                 |          |    | \$50.94 | TOTAL BILL                 |          |    | \$112.60 | TOTAL BILL                |          |    | \$313.36 |

It is important to note that natural gas bill components/rates that are set by the City Council/Board of Utilities Commission have **not** been changed or increased since 2019. The natural gas bill components/rates within Long Beach control include the Daily Service Charge, and the volumetric Tiered Usage Rates. It is clearly the dramatic, market-driven increase in Cost of Gas that is the primary factor impacting current gas bills, combined with increased usage.

California imports more than 90 percent of its natural gas supplies from West Texas, the Rocky Mountains, and Canada. Competitive natural gas markets set the price of natural gas monthly, with pricing being driven largely by supply and demand market forces. Various factors impacting the market include increased usage due to colder weather, increased usage of natural gas to fuel electricity generation plants to replace the power void of decreased availability of hydroelectricity due to the drought, and constraints on interstate pipelines due

to repairs and maintenance.

As with all gas utilities in California, Long Beach Utilities' cost to purchase gas is passed directly through to its customers, with no markup in price. This price is shown as the Cost of Gas on the utility bill. The Cost of Gas doubled from November to December and then tripled from December to January. This dramatic increase is affecting every household and business in California. Long Beach is not alone, nor are we immune from the volatility in natural gas pricing.

With the assumption on January 3 of the oversight of the gas utility, Long Beach Utilities took immediate action to blunt, to the extent possible, the impact of natural gas costs increases on our community.

We immediately:

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 Long Beach customers in January; and
3. Applied \$1.3 million in unused reserves to soften impact to customers.

These actions will save Long Beach ratepayers approximately \$10 million in the month of January alone, collectively.

It is critical to communicate with customers when pricing increases so that they can take immediate actions to reduce their natural gas consumption to lessen the impact to their utility bills. This month, Long Beach Utilities has engaged in a robust, multilingual, and multi-medium public messaging campaign to inform our customers of the high market prices and urge our community to reduce natural gas consumption. The Board of Utilities Commissioners held a Special Public Meeting on January 12 to discuss solely the high natural gas prices and issued an advance press release announcing the meeting. We have sent direct mailers to addresses in our utility billing system to notify the ratepayers of the high natural gas prices, what they can do to reduce costs, and how to set up a payment plan, if needed; the direct mailers are available in English, Spanish and Khmer. We have also initiated robo calls, activated the City's billboard off the 405 freeway, and agreed to every media interview requested. Perhaps most importantly, we have also engaged community-based organizations directly by contacting groups individually and dropping off informational materials in various languages. This effort is aimed at reducing natural gas consumption while rates are high, as that is the biggest immediate change individuals can make to reduce their individual natural gas bill for January.

We are fully willing to assist our customers, many of whom will find it difficult to pay these

high utility bills. For those who need assistance, we have our Utility Call Center representatives ready to help, in-person, online or by telephone. We will offer customers extended payment plans and level pay plans, as well as financial assistance programs and low-income discounts for qualifying customers.

We expect natural gas pricing to decrease as the weather warms, though since prices are set by the markets, we are unable to definitively say what rates will be beyond the current month. As Long Beach Utilities looks to the future, we will:

- Continue to re-evaluate current long-term gas buying strategies to emphasize a focus on both price stability and price protection for our customers;
- Maximize our storage injections to provide low price gas available for withdrawal during periods of high prices, and
- Reinstate the consideration of price hedging as a tool to better protect Long Beach ratepayers from large fluctuations in natural gas pricing, such as the current situation is today, in the future.

City Council action on this item is not time critical.

Approve recommendation.

CHRISTOPHER J. GARNER  
GENERAL MANAGER