

Frequently Asked Questions Proposed Gas Rate Adjustment 8/3/2022

1. How much is the DPU proposing to adjust the gas rate?

The Department of Public Utilities is proposing gas rate adjustments covering a four-year period to be approved by the Board of Public Utilities and adopted by the County Council. The adjustments are for the fixed portion of the commodity rate and the meter service charges.

GAS SERVICE CHARGE			FIXED CONSUMPTION RATE/THERM		
	Small Meter	Large Meter		Residential & Commercial	County & Schools
Current	9.50	28.50	Current	0.23	0.20
10/1/2022	10.26	30.78	10/1/2022	0.25	0.22
10/1/2023	11.08	33.24	10/1/2023	0.27	0.24
10/1/2024	11.97	35.90	10/1/2024	0.29	0.26
10/1/2025	12.57	37.70	10/1/2025	0.30	0.27

2. Why do we need these gas rate adjustments and what do they cover?

Large increases to costs due to inflation and supply chain shortages have negatively impacted current gas fund balances. The proposed adjustments are intended to generate revenues needed not only for current operations but also to build cash reserves necessary for future infrastructure needs.

3. Where can I find the draft ordinance?

The draft ordinance is included in this PDF starting on page 6. Current rates are always available on the DPU website at <https://ladpu.com/rates>, where the draft ordinance has also been posted under the folder “Proposed & Pending Rate Changes.”

4. What is the process for raising the gas rates?

The BPU will hold a public hearing on August 3 at 5:30 pm through the online platform Zoom at this link: <https://ladpu.com/ratehearing>. If the BPU approves the ordinance, Council will then hold a public hearing to consider adoption at the August 30 County Council meeting.

5. When will these rates take effect?

The proposed ordinance states that the adjustments will go into effect annually on October 1st.

6. Are the BPU and County Council locked into these rates for the next four years?

No. Rates can always be modified if the BPU and County Council determine it is appropriate and approve and adopt a new rate ordinance.

7. How often are gas rates adjusted? Didn't this happen recently?

Gas rates have not been increased since before the current pass-through rate structure was adopted in 2013. The prior commodity rate was \$0.55/therm for residential customers. The original fixed portion of the pass-through commodity rate was \$0.29/therm. That rate was reduced to \$0.23/therm in 2016. Gas meter service charges have not changed since 2009.

8. What is the pass-through gas rate structure?

DPU has included a “pass-through” cost of natural gas in its rate structure since the end of 2013. This model includes a monthly service fee and a commodity (or consumption) rate that is made up of two components: 1) a fixed cost recovery charge and 2) a variable cost of gas charge. The commodity rate is charged per therm consumed. The fixed cost recovery portion of the commodity rate will increase if the proposed gas rate adjustments are adopted. This portion of the rate has never been increased and is covers set natural gas distribution maintenance and operation expenses. In 2016, it was reduced from \$0.29/therm to \$0.23/therm for residential customers. If approved, the fixed portion will return to the original 2013 amount of \$0.29/therm in October 2024. The final increase under this proposal will take place a year later, raising the fixed portion to \$0.30/therm.

DPU's actual cost to purchase the natural gas commodity is passed directly to the customer in the variable portion of the commodity rate. This cost is calculated each month based on the San Juan Index and then adjusted based on the actual cost from the prior month. The benefit of this approach for customers is that DPU does not need to maintain a substantial rate stabilization fund to absorb

volatile, fluctuating gas prices. Each month DPU posts the new variable cost of gas portion of the commodity rate online at ladpu.com/DPUGasRateSchedule.

9. How will these rates impact my bill?

For residential customers using 75 therms per month and assuming the variable portion of the pass-through commodity rate averages \$0.46 monthly, the impact is shown in the table below. About 65% of DPU's residential customers use no more than 75 therms per month on average.

	Current	Oct. 01, 2022	Oct. 01, 2023	Oct. 01, 2024	Oct. 01, 2025
Monthly Svc Fee	\$9.50	\$10.26	\$11.08	\$11.97	\$12.57
Fixed Commodity Rate	\$17.25	\$18.75	\$20.25	\$21.75	\$22.50
Projected \$0.46 Variable Rate*	\$34.50	\$34.50	\$34.50	\$34.50	\$34.50
Total Bill	\$61.25	\$63.51	\$65.83	\$68.22	\$69.57

**Average of variable rate from June 2021 through May 2022*

10. What if these adjustments are not approved?

If adjustments are not approved, DPU will have to curtail maintenance and replacements. This curtailment will impact system reliability and eventually create a need for a rate increase that is potentially urgent and more substantial.

11. How can I reduce my consumption to lower the impact of this rate adjustment?

There are many ways to use less natural gas and therefore lower your bills.

1. Make sure your furnace and water heater are maintained. These systems are likely to become less energy efficient over time but you can maintain some efficiency by checking them regularly. Replace leaky or worn-out parts to prevent losing energy and running up your gas bill.
2. Make sure your vents allow the warm air produced by your furnace to flow freely. Don't block vents with furniture or appliances.

3. Make sure your windows and doors are sealed with caulk or weatherstripping. You can further insulate by covering windows with curtains or blinds when it's cold outside. Insulate your water heater as well.
4. Turning the thermostat down a couple degrees can reduce your consumption and lower your bills. If it's uncomfortable, consider lowering the thermostat when you're away from home or only at night.
5. Turn your water heater down. You might find that it's set higher than it needs to be.
6. Use your fireplace less often. While you can sit in front of a fire to stay warm and cozy, much of the heat it generates goes straight up the chimney. As it escapes, the vacuum it leaves behind draws cold air in through cracks or weak spots in your insulation. Once that happens, your heating system is likely to kick into overdrive to compensate for the loss of warmth in the house.

12. Is there any assistance for individuals on fixed incomes?

DPU has a Utility Assistance Program to aid qualified low-income residential families. A copy of the UAP brochure can be downloaded at: <https://ladpu.com/UAPBrochure>.

Funded by DPU customer donations, the program is available to:

1. Qualifying low-income customers for the months of October through March
2. Qualifying low-income customers over age 65, year-round
3. Customers who demonstrate a financial hardship due to unforeseen circumstances may qualify for a single, lump sum credit.

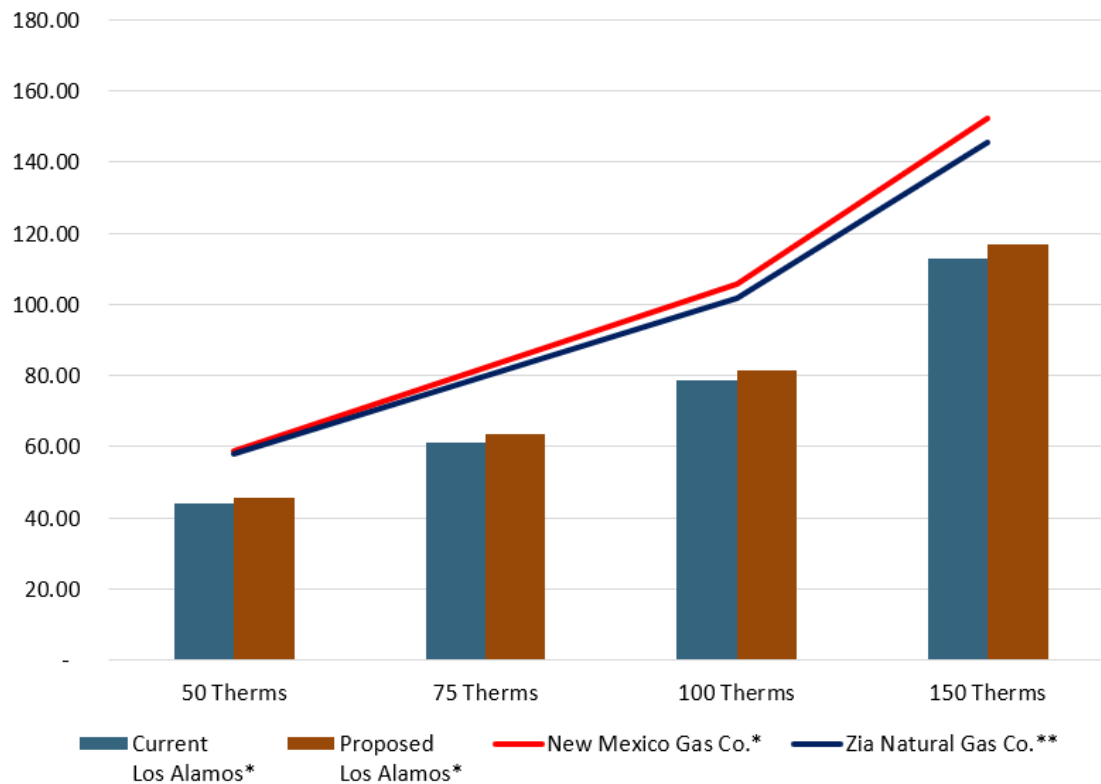
Customers can contact the Customer Care Center to apply or to donate to the program – 505 662 8333 or CustomerCare@lacnm.us.

Other programs available to assist customers' utility bills are: LA Cares, 505 661 8105, or Self-help, Inc, 505 662 4666.

The State of New Mexico offers the NM Low Income Energy Assistance Program (LIHEAP) to assist with energy bills, 505 753 2271.

13. How do these rates compare with other communities?

NM Communities Residential Gas Rate Comparison



SAMPLE RESIDENTIAL BILL - Assuming Small Gas Meter				
Monthly Usage	Current Los Alamos*	Proposed Los Alamos*	New Mexico Gas Co.*	Zia Natural Gas Co.**
50 Therms	44.00	45.76	58.81	57.82
75 Therms	61.25	63.51	82.22	79.73
100 Therms	78.50	81.26	105.62	101.63
150 Therms	113.00	116.76	152.44	145.45

*Average of 12 months variable Cost of Gas commodity rate used

** Average of all service areas used for comparison

INCORPORATED COUNTY OF LOS ALAMOS CODE ORDINANCE NO. 02-329

AN ORDINANCE AMENDING CHAPTER 40, ARTICLE III, SECTIONS 40-151 AND 40-152 OF THE CODE OF THE INCORPORATED COUNTY OF LOS ALAMOS PERTAINING TO THE GAS SERVICE RATE SCHEDULE

WHEREAS, the Incorporated County of Los Alamos ("County") is an incorporated county of the State of New Mexico as provided in Section 5, Article 10 of the New Mexico Constitution; and pursuant to Section 5, Article 10 of the State Constitution, is also granted all powers of a municipality; and

WHEREAS, pursuant to Article V of the County Charter, there is a Department of Public Utilities ("Department") charged with the duty to operate a County owned electric, gas, water and sewer systems; and

WHEREAS, Section 504 of the County Charter requires that the Department be operated on a compensatory basis, with rates being just, reasonable, and comparable to those in neighboring communities, and uniform for all consumers of the same class; and

WHEREAS, the Department and Utilities Manager have identified the need to increase gas rates to meet the projected revenue requirements of the Department; and

WHEREAS, pursuant to County Code Section 203.1(d) any change in County utility rates shall be done by ordinance; and

WHEREAS, pursuant to Section 4.6(a) of the *Board of Public Utilities Procedural Rules* (ed. 02/19/2020), the Utilities Manager is responsible for preparing and presenting proposed utility rate ordinances to the Board of Public Utilities ("BPU"); and

WHEREAS, pursuant to Section 504 of the County Charter, the rates to be paid for utility services shall then be proposed by the BPU to the County Council and shall become effective on the date of adoption by Council; and

WHEREAS, pursuant to Section 4.6(b) of the *Board of Public Utilities Procedural Rules*, the proposed rates shall be presented at least one (1) month prior to the BPU public hearing on a final proposed utility rate ordinance and

WHEREAS, the Department and Utilities Manager shall introduce the draft ordinance to the BPU and present the budget and operational reasons for the proposed rate ordinance; and

WHEREAS, the Utilities Manager presented the proposed rate increase for natural gas to the BPU on _____; and

WHEREAS, the Utilities Manager, after receiving comments from the BPU, then presented the final rate ordinance to BPU on _____;

WHEREAS, the BPU [accepted and recommended/accepted and modified, etc.] the final

gas rate ordinance and recommended forwarding it to Council for adoption; and

WHEREAS, on August 3, 2022, the County Council, pursuant to Section 203.2.1 of the County Charter introduced the proposed gas rate ordinance; and

WHEREAS, on August 30, 2022, the County Council, pursuant to Section 203.2.2 of the County Charter held a public hearing on the proposed gas rate ordinance.

NOW, THEREFORE, BE IT ORDAINED BY THE GOVERNING BODY OF THE INCORPORATED COUNTY OF LOS ALAMOS:

Section 1. Section 40-151 of the Code of the Incorporated County of Los Alamos is amended to read, as follows:

Sec. 40-151. Gas rate schedules 7A and 7E.

- (a) *Residential service schedule 7A.* The residential rate applies to customers in a single dwelling or in a single dwelling unit of a multiple dwelling or apartment for domestic purposes only.
- (b) *General commercial and industrial service schedule 7E.* The commercial and industrial rate applies to customers for use in or in connection with any commercial, business or industrial activities, including multiple dwelling units where service for more than one unit is taken through a master meter, and to other customers not otherwise specifically falling within another class.
- (c) *Service charge.*
 - (1) Per meter rated 250 CFH or less: \$9.50 per month through September 30, 2022; \$10.26 per month after September 30, 2022; \$11.08 per month after September 30, 2023; \$11.97 per month after September 30, 2024; \$12.57 per month after September 30, 2025;
 - (2) Per meter rated more than 250 CFH: \$28.50 per month through September 30, 2022; \$30.78 after September 30, 2022; \$33.24 per month after September 30, 2023; \$35.90 per month after September 30, 2024; \$37.70 per month after September 30, 2025.
- (d) *Gas consumption charge.*
 - (1) The gas consumption charge for schedules 7A and 7E shall be made up of two components: fixed cost recovery and a variable cost of gas component. The fixed cost recovery shall be \$0.23 per therm (one therm is equal to 100,000 British Thermal Units (BTU)) through September 30, 2022; \$0.25 after September 30, 2022; \$0.27 after September 30, 2023; \$0.29 after September 30, 2024; \$0.30 after September 30, 2025. The variable cost of gas rate shall be calculated each month based on the projected cost of gas for the billing month plus an adjustment for any prior over or under collection for gas purchases and/or gas transportation costs.
 - (2) The projected cost of gas shall be at the rate as stated on the San Juan Index or any recognized index that may replace the San Juan Index.
 - (3) Should the variable cost of gas exceed \$0.99 per therm, the billed rate to consumers shall not reflect the cost of gas over that amount until the rate is approved by an ordinance of the council.

Section 2. Section 40-152 of the Code of the Incorporated County of Los Alamos is amended to read, as follows:

Sec. 40-152. Gas rate schedules 7L and 7N.

(a) *Applicability.*

- (1) *Schedule 7L:* Interdepartmental service—Incorporated County of Los Alamos.
- (2) *Schedule 7N:* Schools service—Los Alamos public schools.

(b) *Service charge.*

- (1) Per meter rated 250 CFH or less: \$9.50 per month through September 30, 2022; \$10.26 per month after September 30, 2022; \$11.08 per month after September 30, 2023; \$11.97 per month after September 30, 2024; \$12.57 per month after September 30, 2025;
- (2) Per meter rated more than 250 CFH: \$28.50 per month through September 30, 2022; \$30.78 after September 30, 2022; \$33.24 per month after September 30, 2023; \$35.90 per month after September 30, 2024; \$37.70 per month after September 30, 2025.

(c) *Gas consumption charge.*

- (1) The gas consumption charge for schedules 7L and 7N shall be made up of two components: fixed cost recovery and a variable cost of gas component. The fixed cost recovery shall be \$0.20 per therm (one therm is equal to 100,000 British Thermal Units (BTU)) through September 30, 2022; \$0.22 after September 30, 2022; \$0.24 after September 30, 2023; \$0.26 after September 30, 2024; \$0.27 after September 30, 2025. The variable cost of gas rate shall be calculated each month based on the projected cost of gas for the billing month plus an adjustment for any prior over or under collection for gas purchases and/or gas transportation costs.
- (2) The projected cost of gas shall be at the rate as stated on the San Juan Index or any recognized index that may replace the San Juan Index.
- (3) Should the variable cost of gas exceed \$0.99 per therm the billed rate to consumers shall not reflect the cost of gas over that amount until the rate is approved by an ordinance of the council.

Section 3. **Effective Date.** This ordinance shall become effective upon adoption with the amended gas rates being applied for all billings on or after August 31, 2022.

Section 4. **Severability.** Should any section, paragraph, clause or provision of this ordinance, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this ordinance.

Section 5. **Repealer.** All ordinance or resolutions, or parts thereof, inconsistent herewith are hereby repealed only to the extent of such inconsistency. This repealer shall not be construed to revive any ordinance or resolution, or part thereof, heretofore repealed.

ADOPTED this 30th day of August 2022.

**COUNCIL OF THE INCORPORATED
COUNTY OF LOS ALAMOS**

**Randall T. Ryti,
Council Chair**

ATTEST: (SEAL)

**Naomi D. Maestas,
Los Alamos County Clerk**