

Council to Consider Natural Gas Rate Decrease

Los Alamos County Council will consider adopting a natural gas rate decrease. Do you have any feedback for the Council?

All Registered Statements sorted chronologically

As of September 22, 2016, 11:36 AM



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Introduction

The Department of Public Utilities (DPU) and the Board of Public Utilities (BPU) recommend that the Los Alamos County Council adopt the draft ordinance to decrease natural gas rates, as well as remove language related to the "sunset clause" associated with the pass-through rate. Open to the public, the hearing on the proposed rate is scheduled for:

Tuesday, September 27th at 6 PM
Municipal Building, Council Chambers
1000 Central Avenue, Los Alamos, NM.

If adopted the new rates will become effective immediately.

LINK TO THE DRAFT ORDINANCE:

http://www.losalamosnm.us/utilities/DPUDocuments/DPU_PO160817GasOrd02-268.pdf

Rates are designed to allow the DPU to recover its costs associated with distribution and administrative expenses, as well as bring in reasonable revenue to maintain reliable gas services to Los Alamos County. The gas system is in good condition, and while there are some capital expenditures on the horizon, it is feasible and prudent to look at a systematic "spending down" of existing fund balance target levels identified in the cash policies that were recently adopted by the BPU. In the FY 2017/18 budget adopted by the BPU and Council, a ten percent (10%) revenue reduction was projected.

Staff is also recommending the pass-through rate structure be reenacted without a specific "sunset" or expiration. One of the benefits of the pass-through rate structure is that the DPU does not need to maintain a substantial rate stabilization fund to cover the fluctuations in the cost of the commodity, which in the natural gas industry can be quite significant. The pass-through rate structure has proven effective at generating the revenues required to cover O&M and capital costs plus the fluctuating cost of the gas commodity.

COMMENTS

Please provide comments on this open forum page by 11:59PM on Wednesday, September 21st. All comments from this forum will be shared with County Councilors prior to the hearing. Members of the public are also welcome to provide public comment in person to the September 27th hearing.

BACKGROUND

In fiscal year 2012, the Board of Public Utilities and the County Council approved a rate structure that allows the DPU to pass through to its customers the actual cost of natural gas. In addition to the monthly service charge, Section 40-151(d)(1) split the consumption charge into two components: 1) fixed cost recovery, and 2) variable cost of gas. The fixed cost recovery charge is set at \$0.29 per therm and covers DPU's expenses to deliver gas to our customers (distribution expenses). The variable cost of gas is the actual cost of gas and transmission expenses. DPU calculates the variable cost of gas each month using the San Juan Index for the projected cost

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for the billing month, plus adjustments to any prior over or under collections.

LINK TO THE SAN JUAN INDEX:

http://www.naturalgasintel.com/data/data_products/bidweek?region_id=rocky-mountains&location_id=RMTTWSJ?region_id=rocky-mountains&location_id=RMTTWSJ

This rate structure is common in the industry, common across the nation and common in New Mexico. It allows the DPU to pass along its discounts for the cost of gas and its savings for a well maintained distribution system. This structure also eliminates DPU's need to maintain a substantial rate stabilization fund. DPU is able to keep customer rates lower than rates for neighboring communities. For 30 days in the month of June 2016 customers who consumed 75 therms of gas had a total bill of \$51.25 in Santa Fe, Espanola, Rio Rancho and Taos, whereas as customers who consumed 75 therms of gas in Los Alamos had a total bill of \$44.75 for the same period.

RATE DECREASE

DPU is proposing to decrease the fixed cost recovery charge for residential and commercial customer classes from \$0.29 per therm to \$0.23 per therm, and for county and school customer classes from \$0.25 to \$0.20.

The variable cost of gas will continue to reflect the pass-through rate based on the actual cost of gas and the transmission charge. Note that the existing ordinance caps the variable cost of gas at \$0.99. Should the actual cost of gas spike to above this amount, DPU is required to return to the Board and Council to request approval through an ordinance to adjust the cap accordingly. Additionally, the monthly service fee for all customers classes will remain unchanged.

Residential Customer	Existing Rate	Proposed Rate Change
Monthly Service Fee	\$9.50	
Fixed Cost Recovery Charge	\$0.29/therm	\$0.23/therm
Variable Cost of Gas (pass through rate)	actual cost of gas	

EXAMPLE BILL

Using the same example mentioned above, for the residential customer in June 2016 that used 75 therms.

Residential customer using 75 therms	Existing Bill	Proposed Bill
Monthly Service Fee	\$9.50	\$9.50
Fixed Cost Recovery Charge	$\$0.29 \times 75 = \21.75	$\$0.23 \times 75 = \17.25
Variable Cost of Gas*	$\$0.23 \times 75 = \17.25	$\$0.23 \times 75 = \17.25
Adjustment from the previous month**	$(\$0.05) \times 75 = (\$3.75)$	$(\$0.05) \times 75 = (\$3.75)$
TOTAL BILL	\$44.75	\$40.25

* This example is using the actual projected variable cost of gas used for the June 2016 billing period. Each month fluctuates with the market and could be higher or lower than the value represented in this example.

** This example is using the adjustment that corrected the May 2016 projected variable cost of gas and was reflected in the June 2016 bill. Each month the adjustment will fluctuate based on the actual cost of gas and

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the projected cost of gas from the previous month. The adjustment could be higher or lower than the value represented in this example.

REMOVAL OF SUNSET CLAUSE LANGUAGE

The DPU is proposing in the draft ordinance to remove Section 40.154 (a) and (b). This language states that the Gas Consumption Charge (comprising the fixed cost recovery and the variable cost of gas charges) will expire on September 30, 2016, unless reenacted through an ordinance approved by County Council. As this rate structure has been beneficial to all DPU customers, DPU is proposing to the BPU and County Council that the sunset clause be removed. Further, annual reporting requirements that were adopted in fiscal year 2012 were added for the Board to gauge how the new rate was affecting DPU's natural gas customers. DPU will continue to provide updates to the Board upon request, but proposes to remove the language from the ordinance.

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As of September 22, 2016, 11:36 AM, this forum had:

Attendees:	48
Registered Statements:	3
All Statements:	4
Minutes of Public Comment:	12

This topic started on September 6, 2016, 1:32 PM.

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Name not shown inside EASTERN AREA

September 21, 2016, 3:44 PM

At the end of this topic is a double asterisk (**) that includes these 2 sentences:

"Each month the adjustment will fluctuate based on the actual cost of gas and the projected cost of gas from the previous month. The adjustment could be higher or lower than the value represented in this example."

So - the price of natural gas goes up and down, and will be adjusted each month - if the price should go high at some point, we will pay it. Right now the price is low, and for the foreseeable future will be. If at some point natural gas becomes more expensive we will pay the price, even if it is more than what people are currently paying.

That said, paying what natural gas actually costs sounds reasonable.

Name not shown inside NORTH MESA

September 10, 2016, 8:53 PM

I think this is a good idea especially since other utility rates will probably go up soon. It is refreshing to know rates can go down rather than always going up.

1 Supporter

Peggy Pendergast inside EASTERN AREA

September 8, 2016, 10:32 PM

If as is stated " the system is in 'good repair' & no major work is in the foreseeable future".. I do believe that a reduction in the fees charged for gas to the county is appropriate. Thanks for soliciting this input.

2 Supporters
