

Frequently Asked Questions Proposed Natural Gas Rate Adjustment

2/8/2023

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

The Department of Public Utilities is proposing a gas rate adjustment for approval by the Board of Public Utilities and adoption by the County Council. The proposed adjustment affects the gas consumption charge. It does not change the service charge or fixed portions of the gas rate, shown in the table below.

The gas consumption charge is currently made up of two components: a fixed cost recovery rate per therm and a variable cost of gas rate per therm. This proposal prevents the variable component from dropping below \$0.11/therm and increases the not-to-exceed cap on the variable cost of gas rate per therm component from \$0.99 to \$4.00. A third component under the gas consumption charge is being proposed--an extraordinary gas cost recovery fee of \$0.44 per therm expiring no later than April 8, 2025.

GAS SERVICE CHARGE			FIXED CONSUMPTION RATE/THERM		
	Small Meter	Large Meter		Residential & Commercial	County & Schools
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?

The variable cost of gas rate is intended to cover the actual costs paid by DPU in purchasing the natural gas commodity. It is estimated based on the San Juan Index price at the beginning of the

month for which it is charged and then settled up in subsequent months for over- and under-collections once DPU's actual cost-of-gas expenses have been recorded. The variable rate was structured to fairly charge customers for their portion of a commodity that varies unpredictably in cost depending on uncontrollable factors such as weather, effects on markets due to political conflicts or wars, supply and demand.

The San Juan Index price is based on metric million British thermal units (MMBTU) which is equivalent to approximately 10 therms. Last fall, the highest price per MMBTU ever paid by DPU was \$8.75 in September 2022, or \$0.88 cents per therm. In December, prices closed even higher at \$10.29 per MMBTU and January prices tripled to \$32.97 per MMBTU, \$1.03 and \$3.30 per therm respectively. The current cost of gas variable rate component has a cap of \$0.99 per therm. This means that DPU cannot charge higher than \$0.99 per therm for the variable rate component that covers actual costs expended when the natural gas was purchased by the utility. Typically, over- and under-collections are calculated as part of the variable rate through a prior month adjustment calculation. This calculation takes the amount over or under collected and spreads it across the estimated therms sold for the month. With rising gas prices and the \$0.99 per therm cap, prior month under collection amounts have been spread over several months. This causes gas billings to stay high for customers even when market prices may drop, creating artificial increases in our monthly cost of gas. When market prices continue to rise, it causes a deficit where revenues don't cover the current market price of the commodity on DPU's end. As of January, DPU is experiencing an estimated \$7.2 million shortfall from high gas prices.

This proposed adjustment increases the cap, adds a compensatory minimum charge of \$0.11 per therm, and creates a sunset recovery mechanism for the current shortfall. This sunset mechanism is estimated to be in place for no more than two years. If expenses are fully recuperated sooner, it will end accordingly.

3. Where can I find the draft ordinance?

The draft ordinance is included in this PDF starting on page 7. 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 February 15 at 5:30 pm in Council Chambers and 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 March 28 County Council meeting.

5. When will these rates take effect?

The proposed ordinance states that the adjustments will go into effect starting on April 8, 2023.

6. Are the BPU and County Council locked into these rates?

No. Should it become apparent that the rates proposed are either not achieving the revenue requirements of the systems, or are exceeding them, staff will return with an ordinance to adjust rates accordingly. 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 were adjusted in August 2022. These increases applied to fixed per therm rates (\$0.25/therm and \$0.23/therm) and monthly meter charges. This ordinance does not affect the fixed per therm rates or the monthly meter charges.

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

DPU has included a “pass-through” or “variable” 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 covers set natural gas distribution maintenance and operation expenses. In August 2022, a multiyear ordinance amending the fixed portion and monthly meter charges were increased. The proposed changes are needed due to the variable portion of the rate, which covers the cost of natural gas.

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 <https://ladpu.com/rates> .

9. How will these rates impact my bill?

The majority of DPU’s residential customers—about 65%—use no more than 75 therms per month on average. The charges for 75 therms at the lowest possible pass-through rate and highest possible pass-through rate are shown below.

EXAMPLE: CUSTOMER CHARGES FOR 75 THERMS							
Effective date of adopted rates	NO CHANGE TO RATES (75 THERMS)		PROPOSED CHANGES (75 THERMS)			TOTAL BILL (75 THERMS)	
	Monthly service fee	Fixed commodity rate	Lowest allowable variable rate = \$0.11/therm	Highest allowable variable rate*	Sunset recovery = \$0.44/therm	Lowest allowable charge	Highest allowable charge
CURRENT	\$10.26	\$18.75	N/A	\$74.25	N/A	\$29.01	\$103.26
4/8/2023	\$10.26	\$18.75	\$8.25	\$300.00	\$33.00	\$70.26	\$362.01
10/1/2023	\$11.08	\$20.25	\$8.25	\$300.00	\$33.00	\$72.58	\$364.33
10/1/2024	\$11.97	\$21.75	\$8.25	\$300.00	\$33.00	\$74.97	\$366.72
4/8/2025	\$11.97	\$21.75	\$8.25	\$300.00	N/A	\$41.97	\$333.72
10/1/2025	\$12.57	\$22.50	\$8.25	\$300.00	N/A	\$43.32	\$335.07

* Under the current ordinance, the variable rate is capped at \$0.99/therm, or \$74.25 for 75 therms. The proposed cap is \$4/therm.

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 or otherwise lower the impact of this rate adjustment?

There are many ways to use less natural gas and therefore lower your bills and they are listed below. To simply stabilize the fluctuations in your gas billings, you may sign up for Budget Billing to pay the same amount each month. To see if you qualify, visit ladpu.com/BBilling .

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:

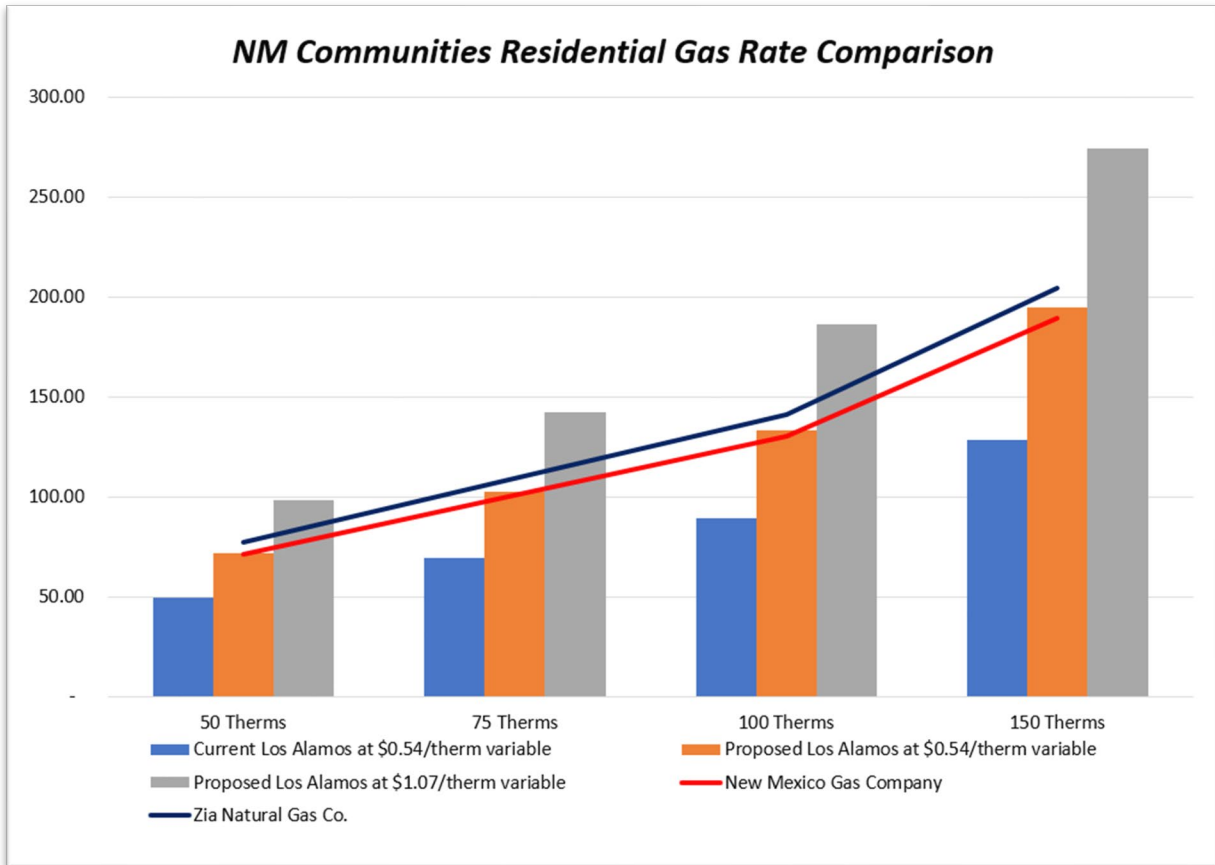
1. Qualifying low-income customers for the months of October through March,
2. Qualifying low-income customers over age 65, year-round, and
3. Customers who demonstrate a financial hardship due to unforeseen circumstances. Such situations may result in a single, lump sum credit.

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 with 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?



SAMPLE RESIDENTIAL BILL - Assuming Small Gas Meter

Monthly Usage	Current Los Alamos at \$0.54/therm* variable	Proposed Los Alamos at \$0.54/therm variable	Proposed Los Alamos at \$1.07/therm variable	New Mexico Gas Co.**	Zia Natural Gas Co.***
50 Therms	49.76	71.76	98.26	70.99	77.46
75 Therms	69.51	102.51	142.26	100.49	109.19
100 Therms	89.26	133.26	186.26	129.99	140.92
150 Therms	128.76	194.76	274.26	188.98	204.38

*Average of DPU's cost of gas commodity rate for 12 months
 ** Average of NMGC's natural gas billed rates for 12 months
 *** Average of billings for all service areas