

# Richmond Gas Works Operations

Governmental Operations Committee Meeting

May 28, 2025



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# Agenda

- Financial Plan Review
- Existing & Proposed Rates
- System Overview
- Staffing Plan
- Audit Updates



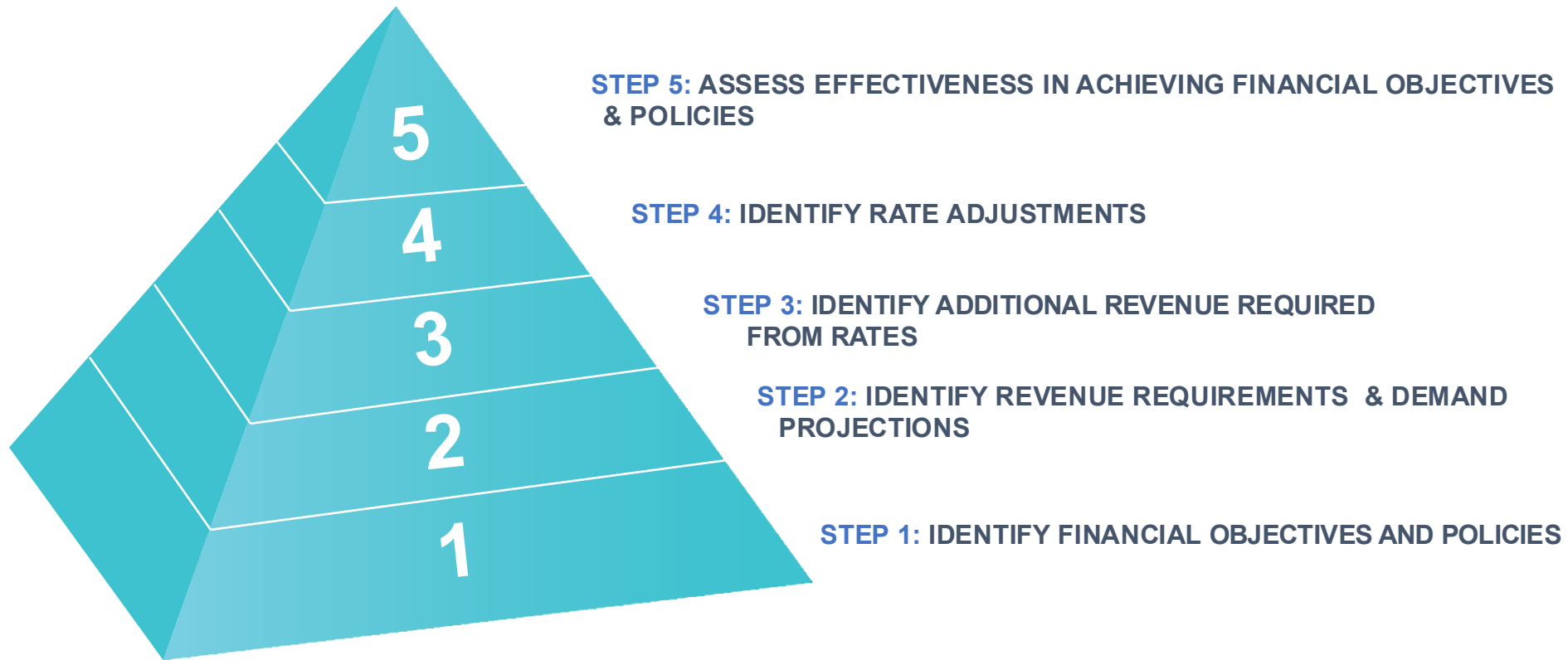
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# Richmond Gas Works Financial Plan

# Goals of Financial Plan

- Develop a financial plan that will:
  - Provides a road map to ensure future financial sufficiency
    - Forecast period: FY 2026 - FY 2030
  - Support the capital plan
- Develop rates that:
  - Are defensible and cost-justified
  - Reasonably distribute costs to users

# Rate & Financial Planning Process



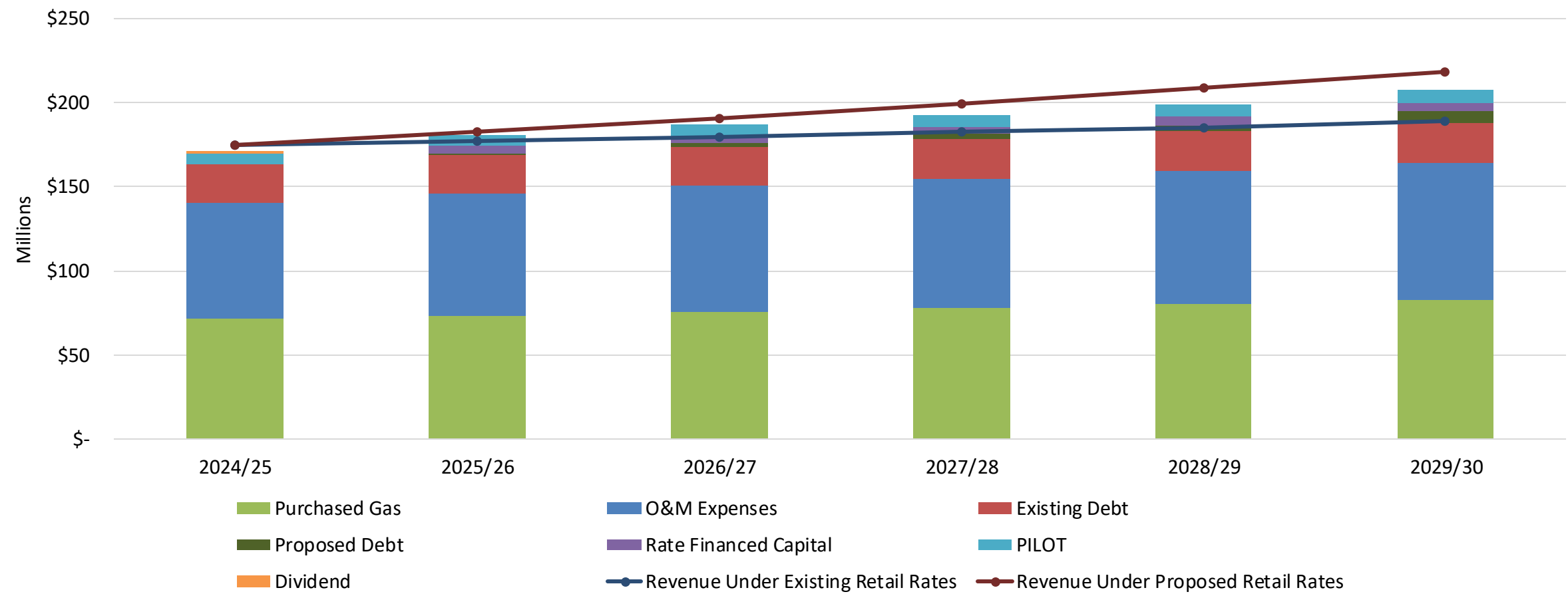
# Richmond Gas Works Financial Plan Overview

- Stable FY 2024 Financial Position
  - \$10M Free Cashflow
  - Solid Debt Service Coverage, 1.5+
  - Very limited liquidity
- Increased operating costs
- Significant Capital Expenditures (\$234M)
  - Grant funding covers 85% of replacements
  - Opportunity to rebuild reserves
- Seasonal increase in the cost of gas
- Demand Projections
  - Normalized consumption
  - Customer accounts and demand grow 0.50% annually

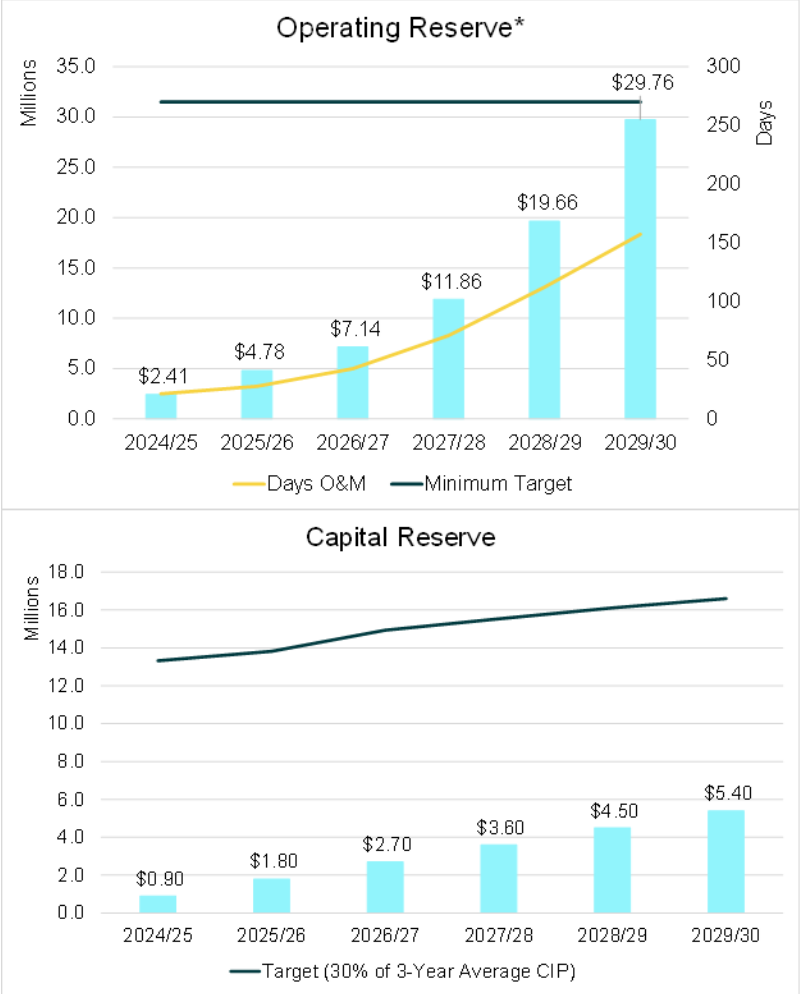
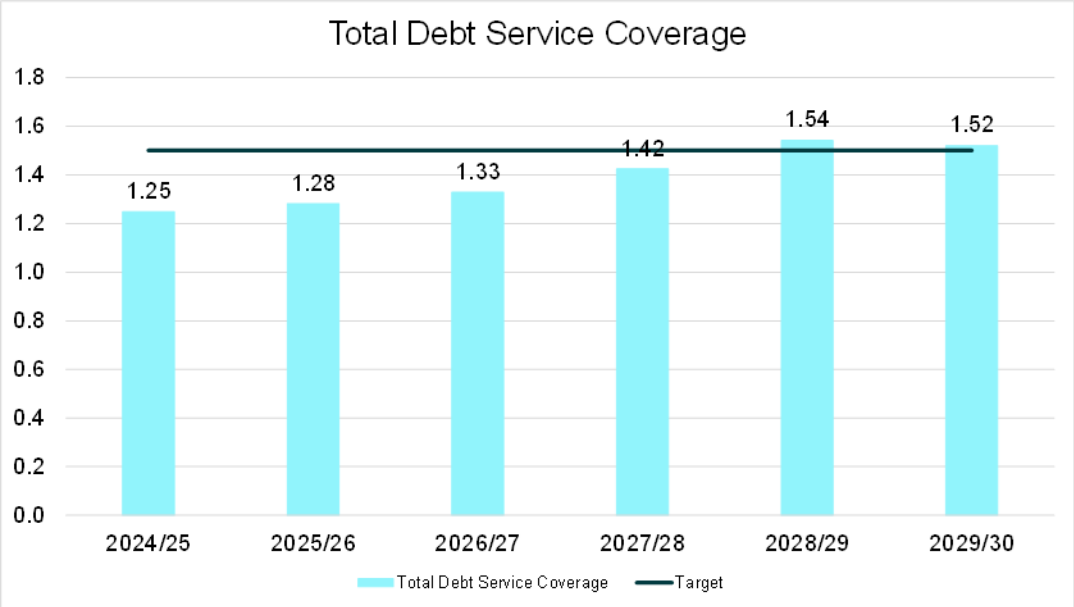


Henry Hub as of April 4, 2025

# Richmond Gas Works Financial Plan



# Financial Policies





# Richmond Gas Works Existing & Proposed Rates

# Residential, General Service, & CIS Rates

Natural Gas Rates (Margin Only)	FY 2025 Existing	FY 2026 Adopted
Rate Increase		5.25%
Residential		
Customer Charge	\$16.38	\$17.23
Commodity Charge (Ccf)	\$0.668	\$0.703
General Service		
Customer Charge	\$19.16	\$20.16
Commodity Charge (Ccf)	\$0.602	\$0.633
CIS		
Customer Charge	\$157.89	\$166.17
Commodity Charge (Ccf)	\$0.357	\$0.375

# Municipal & Large Volume Rates

Natural Gas Rates (Margin Only)	FY 2025 Existing	FY 2026 Adopted
Rate Increase		5.25%
Municipal		
Distribution Charge (Ccf)	\$0.561	\$0.590
LVS		
Customer Charge	\$444.64	\$467.98
Transportation Charge		
Block 1 (1 <sup>st</sup> 1,500 MCF)	\$0.216	\$0.227
Block 2 (1,501-11,500 MCF)	\$0.216	\$0.227
Block 3 (Over 11,500 MCF)	\$0.216	\$0.227
LVS 2		
Customer Charge	\$764.12	\$804.23
Transportation Charge	\$0.076	\$0.079

# Transportation Rates

Natural Gas Rates (Margin Only)	FY 2025 Existing	FY 2026 Adopted
Rate Increase		5.25%
Transportation (Low)		
Customer Charge	\$444.64	\$467.98
Transportation Charge		
Block 1 (1 <sup>st</sup> 1,500 MCF)	\$0.216	\$0.227
Block 2 (1,501-11,500 MCF)	\$0.216	\$0.227
Block 3 (Over 11,500 MCF)	\$0.216	\$0.227
Transportation (High)		
Customer Charge	\$764.12	\$804.23
Transportation Charge	\$0.076	\$0.079

# Richmond Gas Works System Overview



# Distribution System

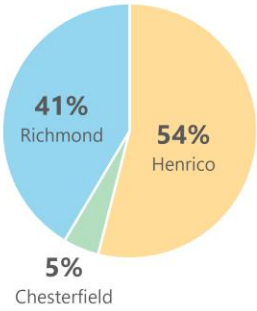
Natural Gas Utility

0 5 10 miles



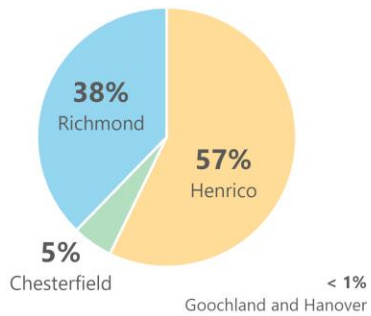
## Meters by Locality

~128,000 Total Meters

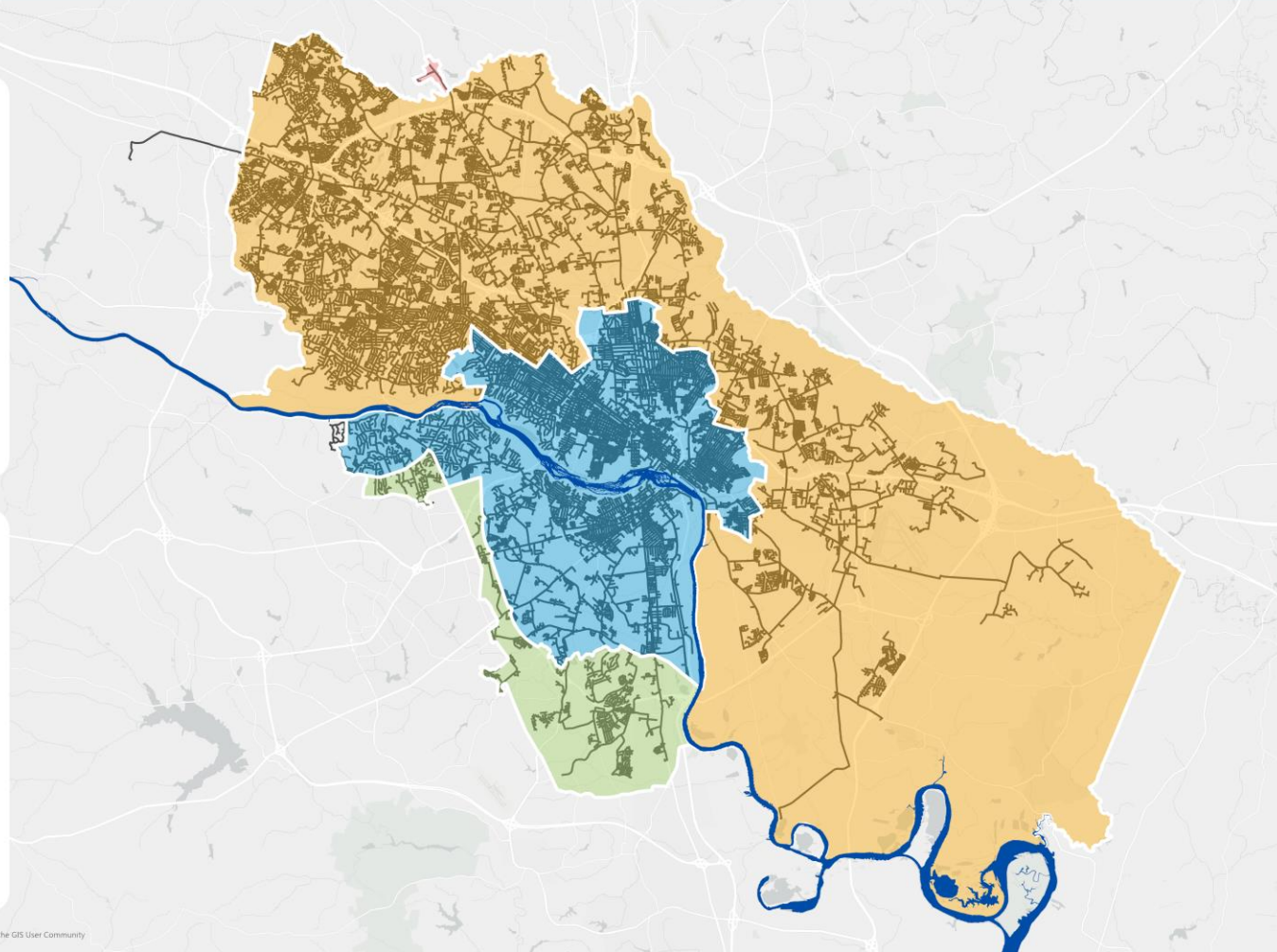


## Miles of Gas Main by Locality

~1,970 Total Miles



Sources: Commonwealth of Virginia, Esri, TomTom, Garmin, FAO, NOAA, USGS, © OpenStreetMap contributors, and the GIS User Community



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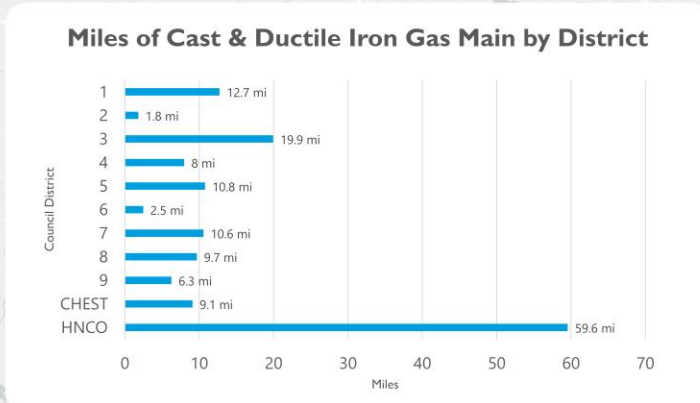
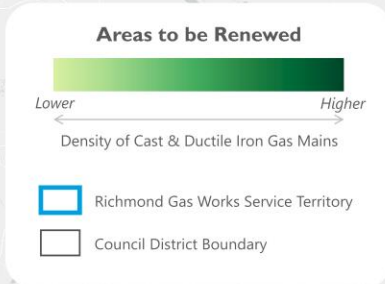




# Remaining Renewal Areas

Cast & Ductile Iron Gas Main Renewal Program

0 2.5 5 miles



Sources: Esri, DeLorme, Garmin, NOAA, USGS, © OpenStreetMap contributors, and the GIS User Community

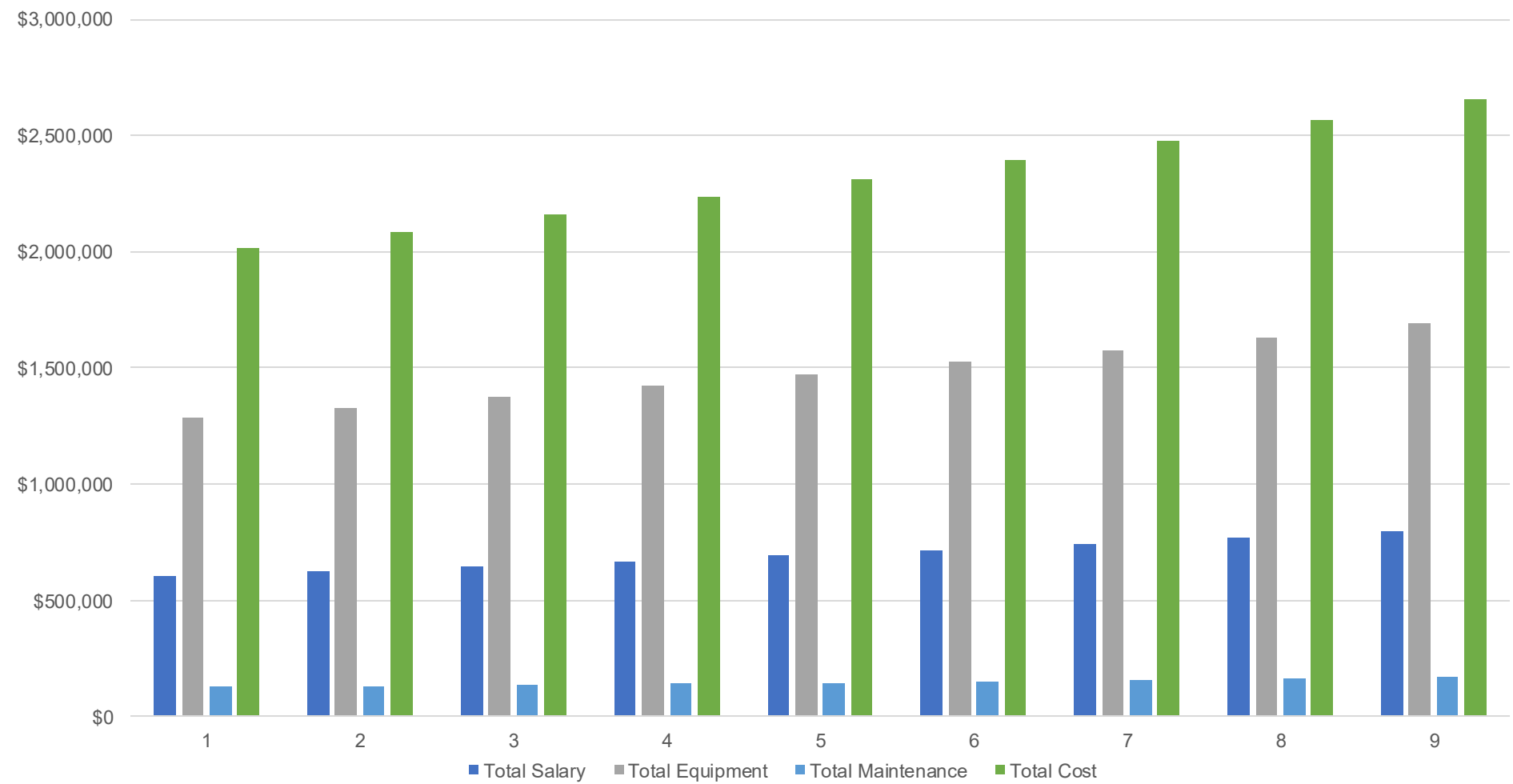
# Richmond Gas Works Staffing Plan



# Internal Crew Staffing Plan & Assumptions

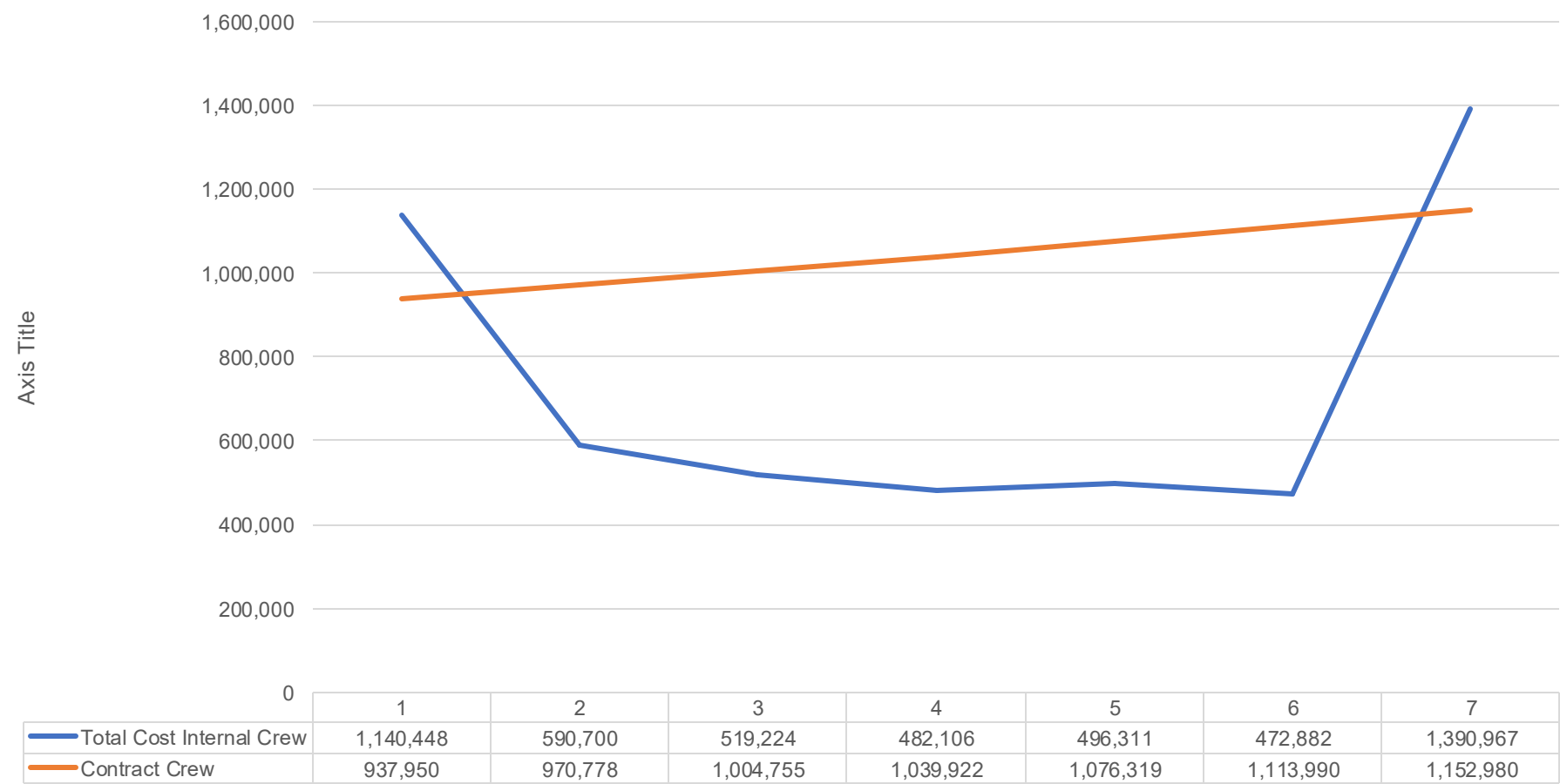
Crew Composition	<ul style="list-style-type: none"><li>• 4 members per crew</li><li>• 1 Foreman, 2 Technicians, 1 Equipment Operator</li></ul>
Crew Build-out	<ul style="list-style-type: none"><li>• Start with 2 crews in Year 1</li><li>• Add 2 crews each year; capping at 18 crews in Year 9</li></ul>
Salaries	<ul style="list-style-type: none"><li>• Base salaries</li><li>• 3.25% annual raises</li></ul>
Benefits	<ul style="list-style-type: none"><li>• 30% of total salary costs</li></ul>
Equipment Costs	<ul style="list-style-type: none"><li>• 3.5% annual inflation</li><li>• 7-year useful life</li></ul>
Equipment Maintenance	<ul style="list-style-type: none"><li>• 10% of that year's equipment cost per crew</li></ul>
Equipment List	<ul style="list-style-type: none"><li>• Trucks, excavators, compressors, fusion machines, saws, rollers, etc.</li></ul>

# Construction Crews Initial Cost/Year

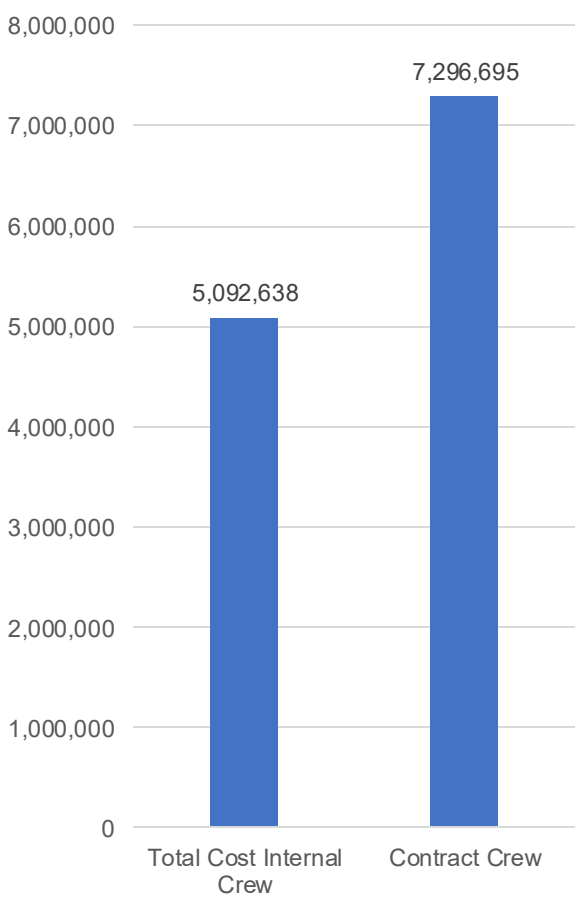


# Crew Cost Comparison

Internal vs. Contract Crew



7 Year Total Cost



# Construction Crew Hypothetical

	2025 Existing (16 Crews)	2025 New (2 Crews)	Management/ Supervisors/Trainers	Total Cost
Total Cost Internal Crew	498,448	1,140,448	1,659,006	<b>11,915,075</b>
Contract Crew	937,950	937,950	N/A	<b>16,883,100</b>

# Audit Update

# Overview

- The Department of Public Utilities has **42** open recommendations.
- **1** recommendation was been closed this quarter.

Audit Name	Priority and Number of Recommendations
Billing and Collections	High (1), Medium (5), Low (1)
Warehouse Phase 1 and 2	High (9), Medium (10), Low (8)
Contract Compliance	High (0), Medium (4), Low (3)
Continuous Auditing	High (0), Medium (1), Low (0)

# Open Audit Items (High Priority)

Audit #	Audit Report Name	Recommendation	Status
2023-09	DPU Billing and Collections	#7: Establish a reconciliation process that includes ensuring bad debt accounts are returned to the City and/or collected accurately and in their entirety.	<ul style="list-style-type: none"><li>Submitted to OCA</li></ul>

# Open Audit Items (High Priority)

Audit #	Audit Report Name	Recommendation	Status
2025-03	Citywide Warehousing & Inventory Management: DPU Main Warehouse (Phase 1)	#1: Develop and implement a process to ensure that the inventory data is accurate and complete	<ul style="list-style-type: none"><li>Submitted to OCA.</li></ul>



# Open Audit Items (High Priority)

Audit #	Audit Report Name	Recommendation	Status
2025-03	Citywide Warehousing & Inventory Management: DPU Main Warehouse (Phase 1)	#3: Develop and implement a process to ensure materials and supplies delivered directly to job sites are immediately requisitioned/issued out of the inventory system.	<ul style="list-style-type: none"><li>Submitted to OCA</li></ul>

# Open Audit Items (High Priority)

Audit #	Audit Report Name	Recommendation	Status
2025-03	Citywide Warehousing & Inventory Management: DPU Main Warehouse (Phase 1)	#5: Document and implement an inventory count process. At a minimum, this process should ensure an appropriate amount of inventory is counted, assess which inventory items should be counted, and assess the frequency of the counts required.	<ul style="list-style-type: none"><li>Submitted to OCA</li></ul>

# Open Audit Items (High Priority)

Audit #	Audit Report Name	Recommendation	Status
2025-05	Citywide Warehousing & Inventory Management: DPU Wastewater Treatment Plant Warehouse (Phase 2)	#1: Establish a process to define, document, and communicate what items should be classified as stock and non-stock items in the WWTP Warehouse. Further, assess the feasibility of centralizing the process of ordering and receiving stock and non-stock items through the WWTP Warehouse.	<ul style="list-style-type: none"><li>In Process</li></ul>

# Open Audit Items (High Priority)

Audit #	Audit Report Name	Recommendation	Status
2025-05	Citywide Warehousing & Inventory Management: DPU Wastewater Treatment Plant Warehouse (Phase 2)	<p>#2: Establish a process to ensure all materials are tracked and documented on work orders to include the following:</p> <ul style="list-style-type: none"><li>• The description and quantity of the material used.</li><li>• The asset being serviced if not otherwise noted on the work order.</li></ul>	<ul style="list-style-type: none"><li>• In Process</li></ul>

# Open Audit Items (High Priority)

Audit #	Audit Report Name	Recommendation	Status
2025-05	Citywide Warehousing & Inventory Management: DPU Wastewater Treatment Plant Warehouse (Phase 2)	#7: Conduct a full inventory count to establish a baseline for quantities on hand. Once a baseline is established, develop and implement a process to ensure that the inventory data is accurate and complete, including at a minimum: <ul style="list-style-type: none"><li>• Reconciling the system quantities to physical on-hand quantities,</li><li>• Capturing costs</li><li>• Updating inventory locations,</li><li>• Reconciling the quantity of inventory received in and issued out</li><li>• Reviewing the system conversion factors for accuracy.</li></ul>	<ul style="list-style-type: none"><li>• In Process</li></ul>

# Open Audit Items (High Priority)

Audit #	Audit Report Name	Recommendation	Status
2025-03	Citywide Warehousing & Inventory Management: DPU Wastewater Treatment Plant Warehouse (Phase 2)	#9: Develop, document, and implement a formal inventory count process. At a minimum, this process should ensure an appropriate amount of inventory is counted, assess which inventory items should be counted, and assess the frequency of the counts required.	<ul style="list-style-type: none"><li>In Process</li></ul>

# Open Audit Items (High Priority)

Audit #	Audit Report Name	Recommendation	Status
2025-05	Citywide Warehousing & Inventory Management: DPU Wastewater Treatment Plant Warehouse (Phase 2)	#14: Develop and implement a process to: <ul style="list-style-type: none"><li>• establish minimum and maximum levels and re-order points,</li><li>• periodically reviewing the inventory data to assess existing minimum and maximum levels and make changes as needed; and</li><li>• optimize the level of inventory maintained and document justification for when maximum levels are exceeded.</li></ul>	<ul style="list-style-type: none"><li>• In Process</li></ul>

# Open Audit Items (High Priority)

Audit #	Audit Report Name	Recommendation	Status
2025-05	Citywide Warehousing & Inventory Management: DPU Wastewater Treatment Plant Warehouse (Phase 2)	#17: Establish a formalized process to review Mainsaver user access and ensure appropriate access levels are granted based on job duties and responsibilities, including removing any unnecessary access to the warehouse inventory data.	<ul style="list-style-type: none"><li>Submitted to OCA</li></ul>



# Thank You



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