

Richmond Gas Works Introduction and Rates

Presented to Richmond City Council

by: April Bingham, DPU Director

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DEPARTMENT OF
**PUBLIC
UTILITIES**

Gas Utility History

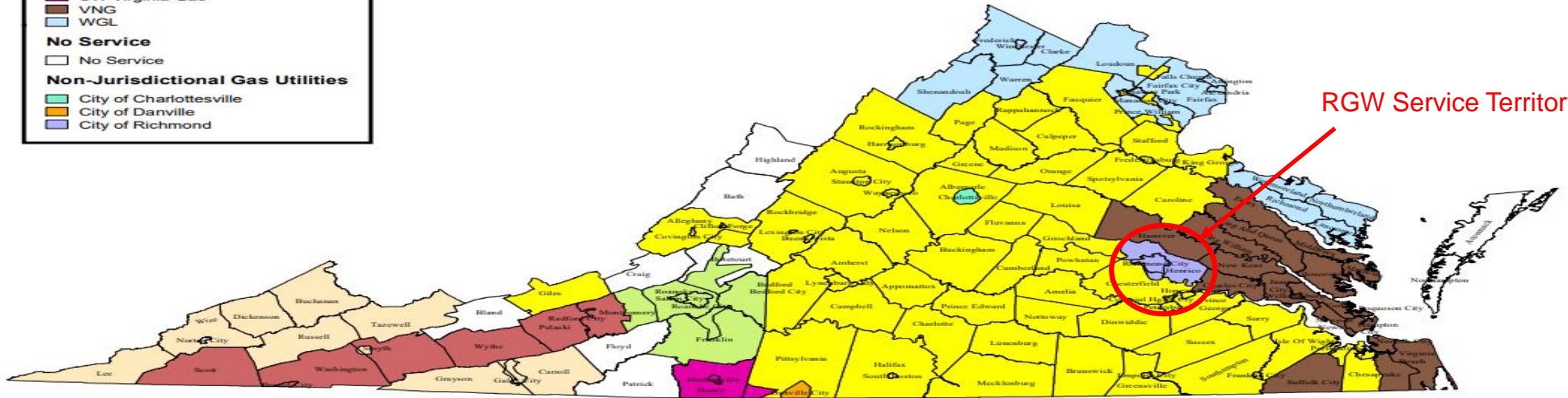
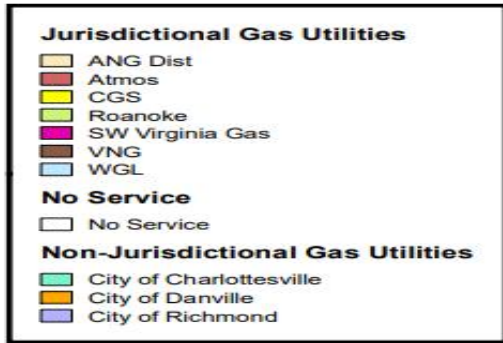
- Formed by ordinance in 1849, which created the Committee on Lights.
 - Responsible for lighting the streets of Richmond with manufactured hydrogen gas.
 - The first streets were lit in 1851.
 - Usage grew to lighting the inside of businesses and homes and eventually for cooking, heating, and commercial purposes.
- In 1950 the Federal Power Commission allocated delivery of natural gas via a pipeline to Richmond and the system was converted from manufactured gas to natural gas.

What is Richmond Gas Works?

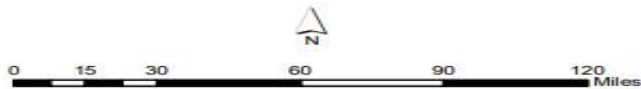
- Richmond Gas Works (RGW) was launched as the trade name for the DPU's Gas Utility.
- The Utility is regulated by the Pipeline and Hazardous Materials Safety Administration (PHMSA). PHMSA delegates inspections to the Virginia's State Corporation Commission.
- The goal of the Gas Utility is to appropriately operate, maintain, and capitalize the system in a financial responsible manner.
- The Gas Utility services the City, all of Henrico, and parts of Chesterfield and Hanover.
 - 9 gate stations
 - 1,955 miles of mains
 - 1,200 miles of service lines
 - 122,220 connections
 - 275,000 people live in homes with natural gas

Service Area

Natural Gas Service Territories



RGW Service Territory



Source: State Corporation Commission, 2020
Created by: Division of Public Utility Regulation, 2020

Disclaimer: This is an approximation, please contact the Division of Public Utility Regulation for official natural gas territory maps.

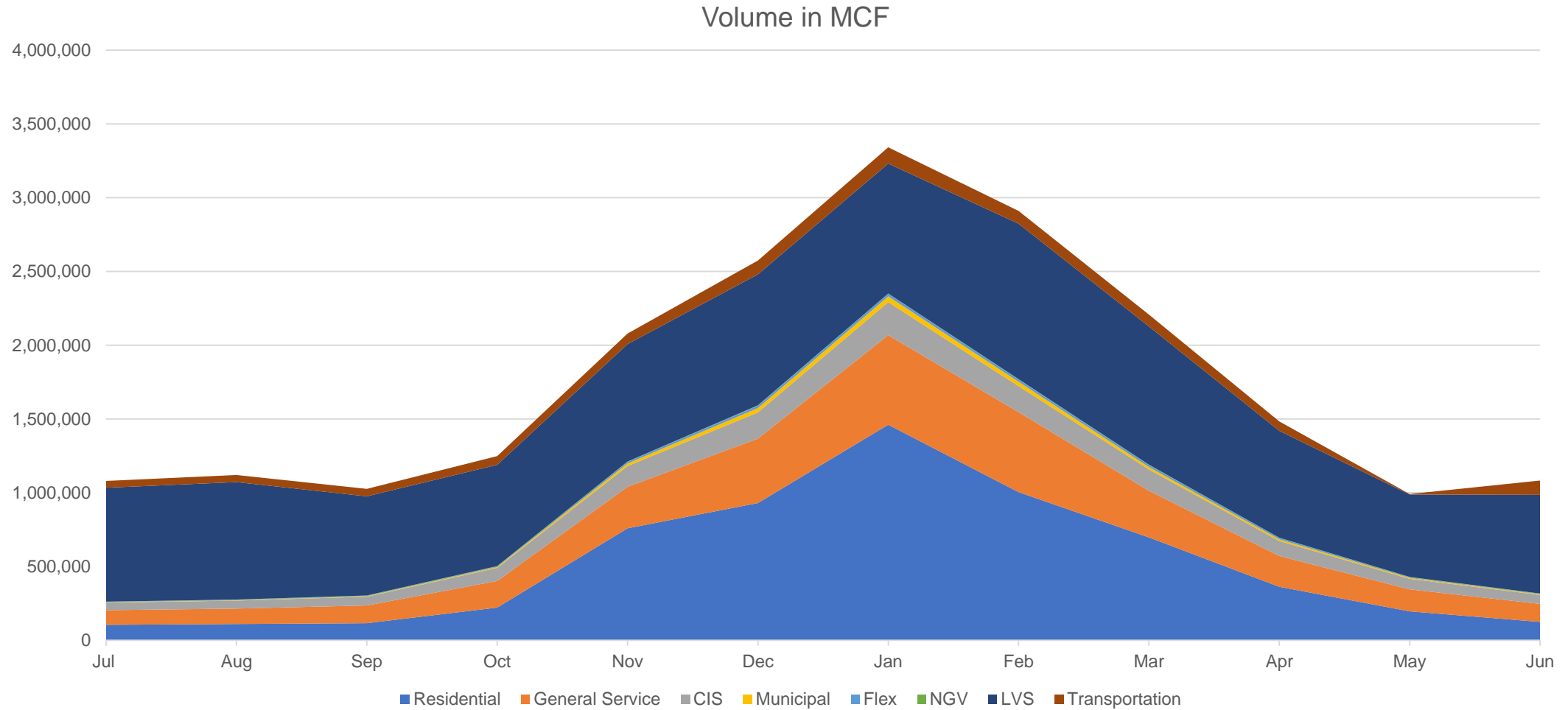
New Business

- New business is general derived from new development mostly in Henrico County.
- DPU has a main extension policy that prescribes how new gas main projects are to be evaluated.
- Generally, project must have an 8% or higher rate of return with a pay back period of 15 years or less.

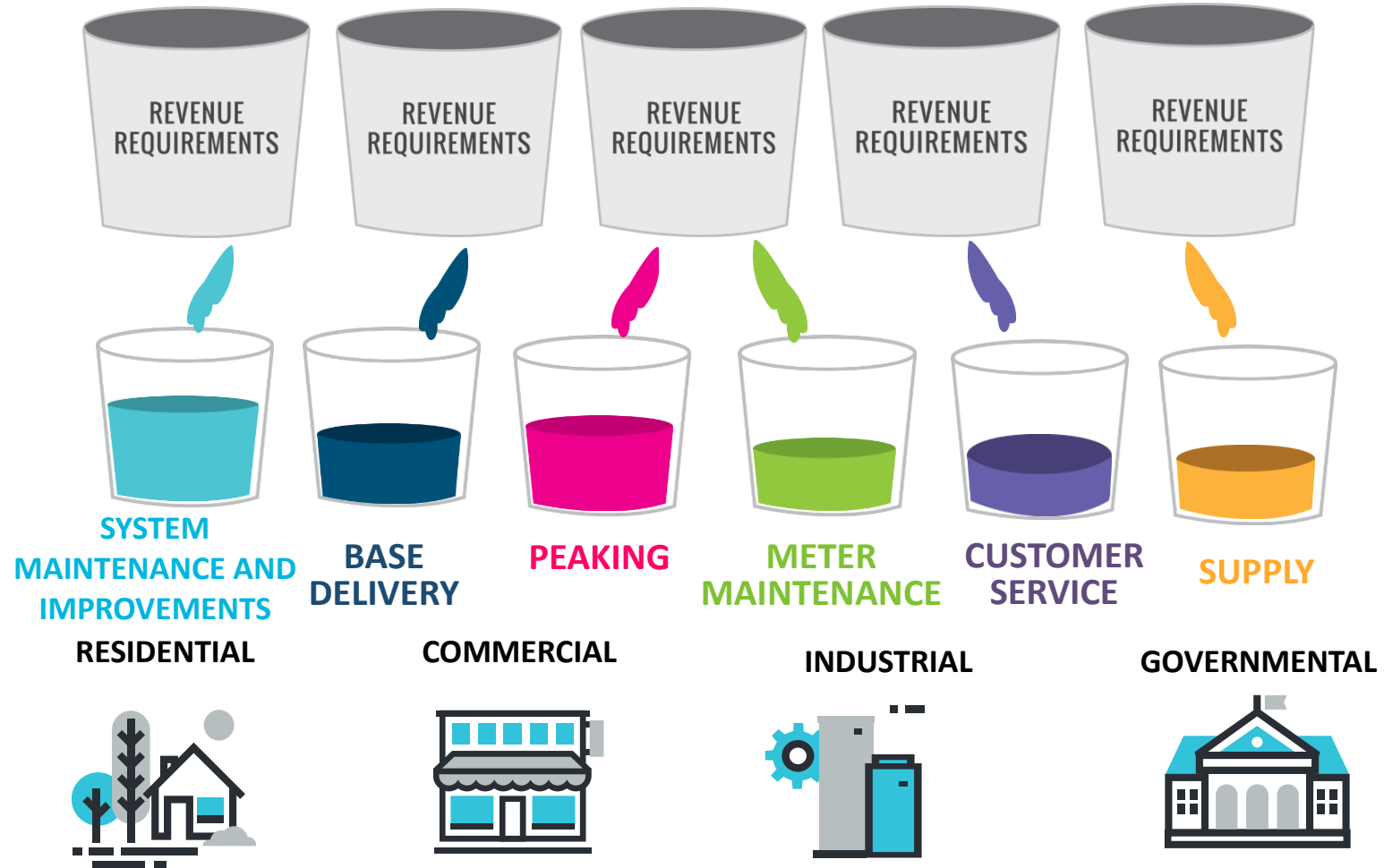
Rate Setting Process

- The Department of Public Utilities Gas Utility is an Enterprise Fund, therefore it must be self-supported with user fees.
- User fees must be equal for all customers within their rate schedule.
- Annually rates are reviewed to ensure they provide sufficient revenues to cover O&M, debt service, PILOT payments, dividend payment, and pay as you go capital contributions over the forecast period.

Consumption by Customer Type

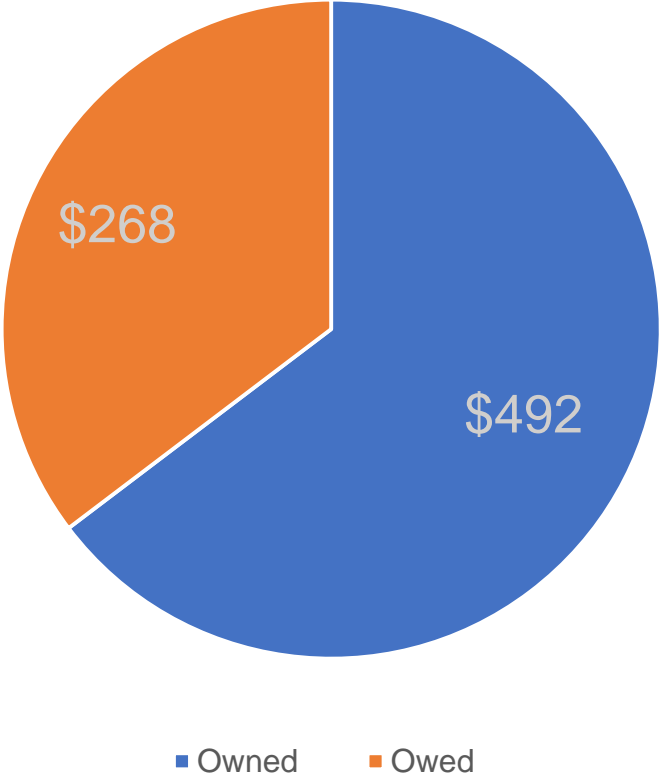


How We Allocate Cost



\$760 Million Capital Investment

Asset Funding in Millions

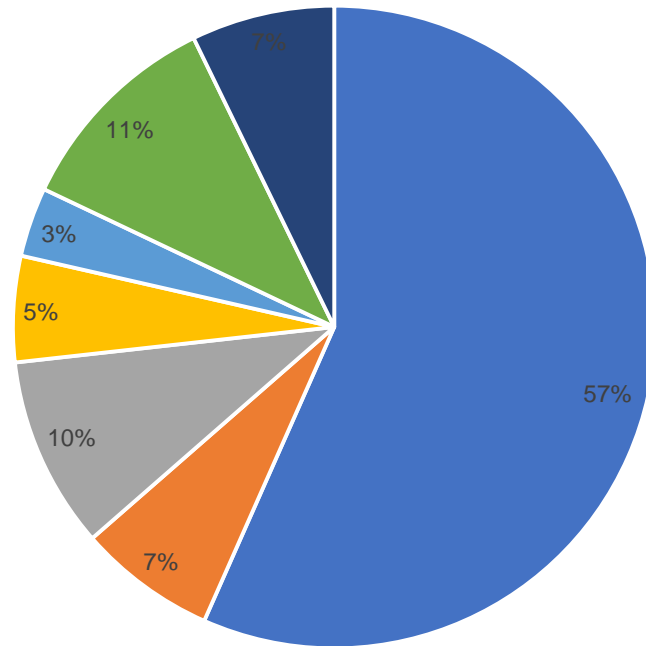


Planned Capital Improvements

- **Gas Renewal Program 5 Year Spend Plan in Millions**
 - Replacing Gas Mains / Services (\$100 million)
 - Approximately 46 planned replacement projects
 - 41 projects funded by rates – approximately \$85 million
 - 9 projects covered by potential PHMSA Grant for \$15 million
 - a) *Mechanicsville, Bryon Area*
 - b) *Mechanicsville, Euclid Area*
 - c) *Union, Williamsburg, Government, Nelwood Area*
 - d) *Mosby, Fairmount, 25th, Venable Area*
 - e) *Northampton, Williamsburg, Parker, Haig Area*
 - f) *Dalebrook, Applewood, Frankmont Area*
 - g) *Phaup, 19th, Brauers, 20th Area*
 - h) *Lakeside Ave (Dumbarton Rd to Parkside Ave)*
 - i) *Lakeside Ave (Parkside Ave to Hilliard Rd)*

How we Use \$215 million in Revenues

FY23 Use of Revenues




■ Gas Costs
■ PILOT and Dividend

■ Salaries and Wages & Benefits
■ Debt Service

■ Maintenance and Repairs
■ Paygo Capital and Capital Reserves

■ Miscellaneous Operating Expenses

Sample Utility Bill – Gas Charges



DEPARTMENT OF PUBLIC UTILITIES
0000001234567 CUSTOMER CUSTOMER Page 1 of 2

Account Number	59106-0123456
Bill Date	Aug 10 2022
Next Read Date	Sep 02 2022
Next Bill Date	Sep 08 2022
Payment Due Date	Sep 07 2022

PLEASE READ IMPORTANT MESSAGES

BILL SUMMARY	
Previous Balance	\$230.75
Payments Received (-)	\$230.75
Balance Forward (=)	\$0.00
Current Charges (+)	\$238.07
Total Charges Due	\$238.07

SERVICE ADDRESS: 2906 DOUGLASDALE RD

STORMWATER DETAILS						
Dates of Service	Rate/YR	Class	Impervious	MSF	Credit	
Jul 08 Aug 10	\$58.20	SFR2	1563	2.00	0%	
Stormwater Tier 2-1001 - 2000 SF						\$4.85
Current Charges						\$4.85

WATER/WASTEWATER DETAILS						
Meter No.	Prior Read	Current Read	Read Type	Dates of Service	Days of Service	
0123456	1126	1132	E	Jul 03 Aug 10	38	
Water Single Family Res.						\$22.66
4 ccf@\$2.85=\$11.40						
2 ccf@\$5.63=\$11.26						
Water Single Family Res. - Base Fee						\$16.06
Wastewater Residential 6 ccf@\$7.985						\$47.91
Wastewater Residential - Base Fee						\$19.93
OTHER CITY SERVICES						
Solid Waste Charge						\$21.45
Recycling Charge						\$2.99
Current Charges						\$130.40

WATER HISTORICAL USAGE					
Same Month Last Year	No. Days	Prior Month	No. Days	Current Month	No. Days
6 CCFs	34	4 CCFs	32	6 CCFs	38

GAS DETAILS						
Meter No.	Prior Read	Current Read	Read Type	Dates of Service	Days of Service	
9876543	4046	4116	A	Jul 03 Aug 03	31	
Gas Residential 70 ccf@\$0.63						\$44.10
Gas Residential - Base Fee						\$14.82
Purchased Gas Cost 70 ccf@\$0.57						\$39.90
Gas Tax Residential						\$4.00

Continues on back

Gas Distribution Charge: DPU measures gas usage with a meter at each location served. Monthly readings are collected to calculate the customer's consumption for the month. This charge recovers a portion of the gas utility's fixed charges, but is primarily driven by cost of distributing natural gas (gate stations, pressure control, chemicals, gas leak repairs). During a normal year, a typical residential customer will use an average of 70 CCFs per month.

Gas Base Fee: This charge recovers a portion of the gas utility's variable charges, but is primarily driven by fixed cost associated with running a gas utility. They include cost for replacing infrastructure, debt service payment and administrative costs such as accounting/billing systems and PILOT payments.

Purchased Gas Cost: This charge recovers the actual cost to purchase natural gas and transmission to our gate stations.

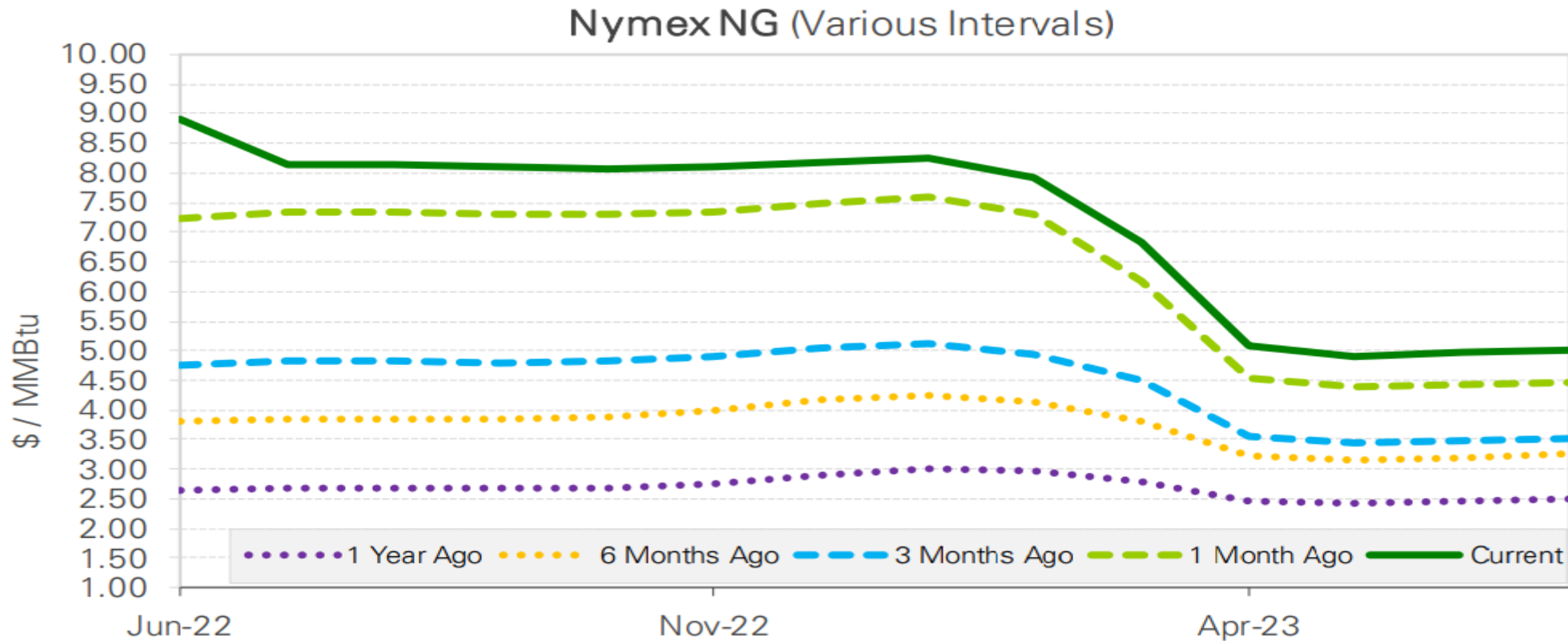
Gas Tax: Tax is charged to all customers in the City. These funds are remitted to the City monthly as the Utility Gas Tax.

Natural Gas Supply and Transmission

- DPU purchases natural gas from four supplies. BP Energy, Municipal Gas Authority of Georgia, The Southeast Alabama Gas Supply District, and Public Energy Authority of Kentucky.
- Natural gas is delivered to City gate stations by TC Energy and Eastern Gas Transmission and Storage/Virginia Natural Gas.
- DPU has storage rights on both the TC Energy and Eastern Gas Transmission and Storage systems. Storage is needed to balance daily consumption and to supply gas during the heating season.
- Supply and transmission are regulated by the Federal Energy Regulatory Commission.

Natural Gas Cost

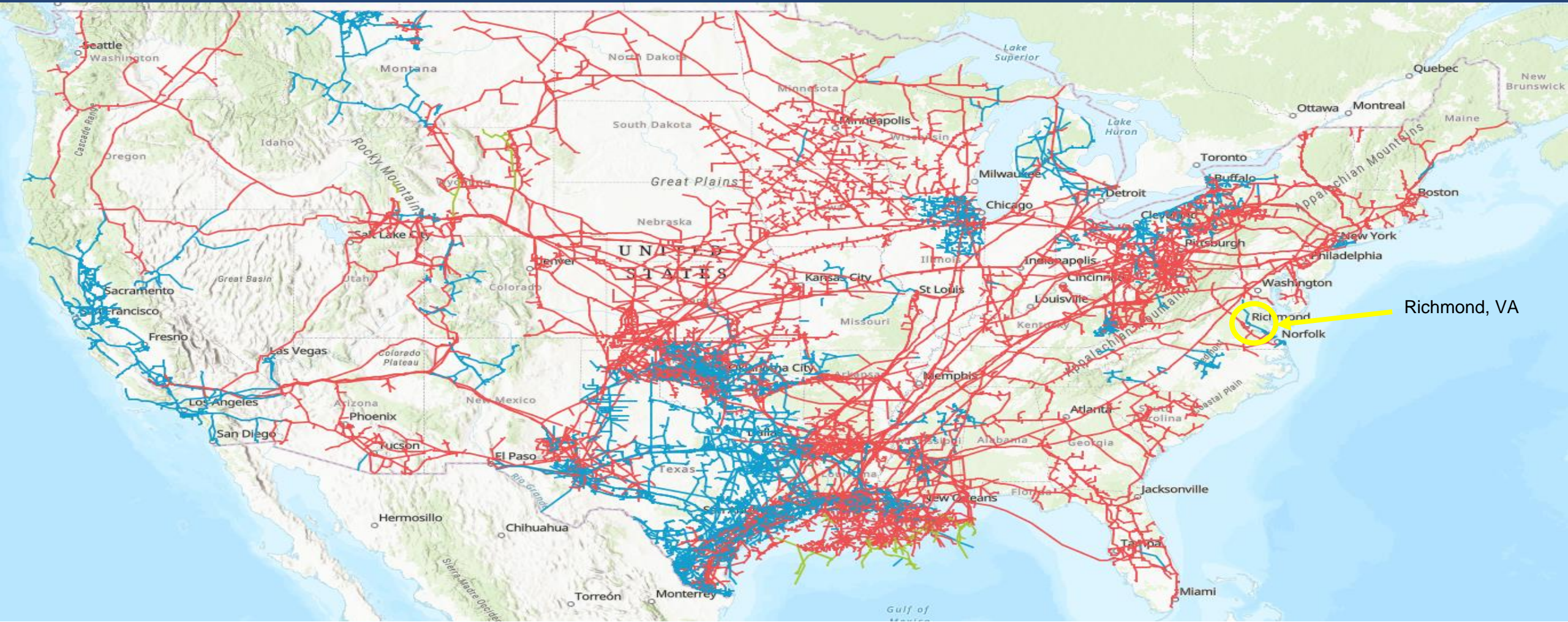
DPU is required to pass the cost of natural gas to customers on a dollar for dollar basis, with no markup or loss. The chart below illustrates how quickly the prices have increased, based mainly on supply concerns in Europe, lower than average storage levels in the US, very little new production, and robust summer demand.



National Natural Gas Transmission System



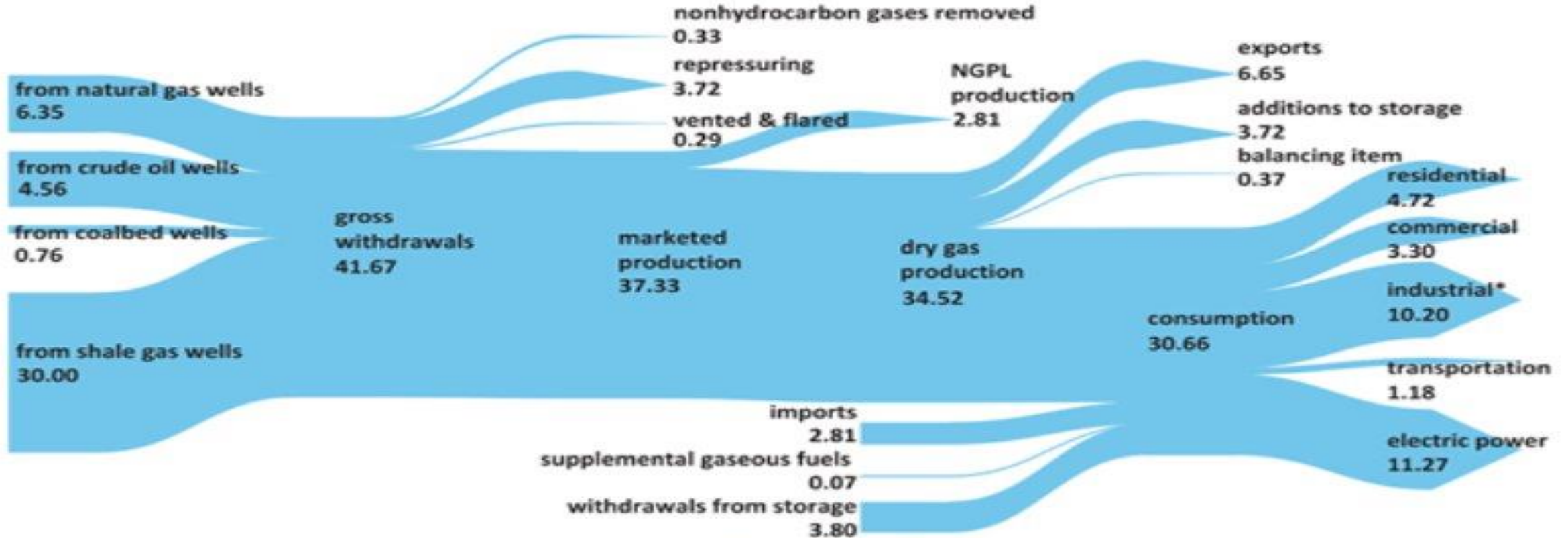
National Natural Gas Transmission System



Gas Flows

Natural Gas Flow in the United States, 2021

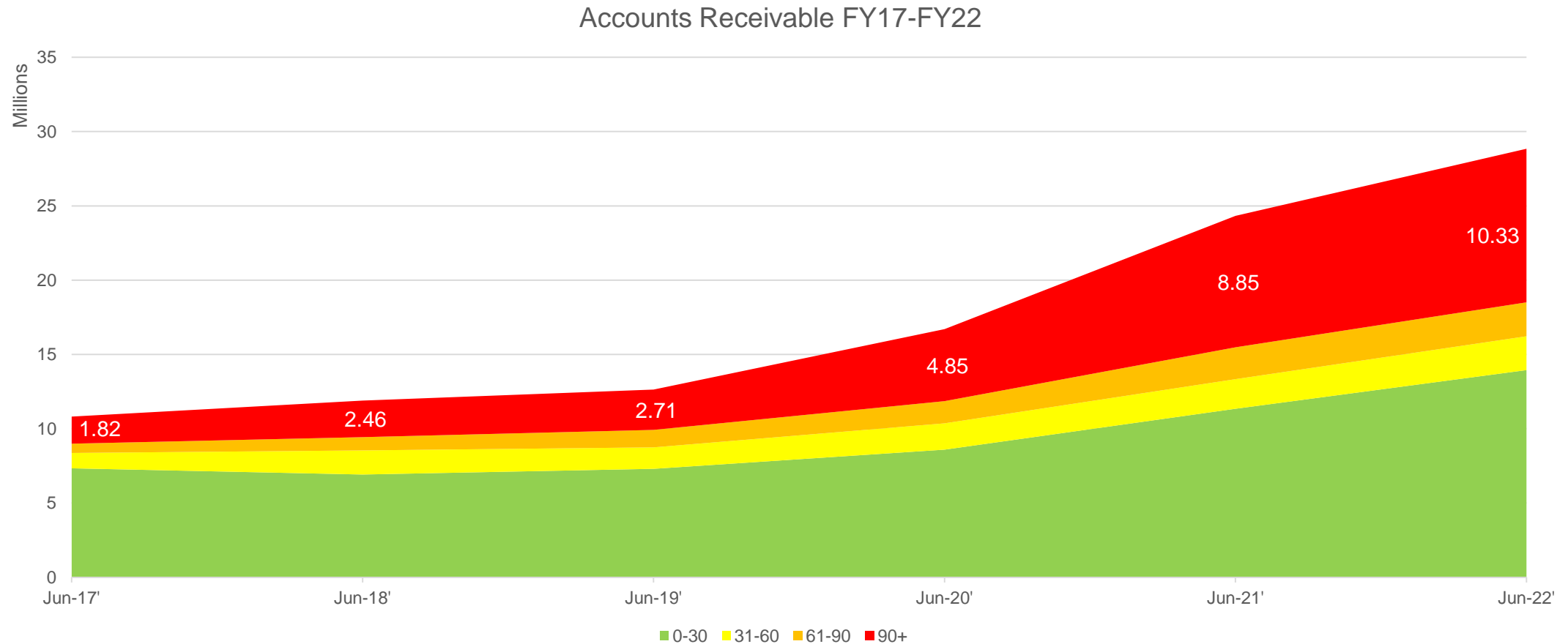
trillion cubic feet



Data source: U.S. Energy Information Administration, *Natural Gas Annual*

- March 12, 2020
 - DPU announced the suspension of water and wastewater service disconnections.
 - DPU reconnected service for past due customers to help avoid the spread of COVID-19.
 - DPU suspended late fees and collection notices.
- March 16, 2020
 - SCC Directs Electric, Natural Gas and Water Companies to Suspend Service Disconnections during COVID-19 State Emergency.
- June 1, 2020
 - DPU automatically created an estimated 12,363 installment plans [totaling \$11,772,281.96] for residential customers with balances greater than 90 days in arrears, allowing up to 12 months for repayment. 40% honored the payment plans. The remaining 60% fell further behind in their payment plan schedule or failed to satisfy any portion of their account balance. Friendly reminder notices were released for this population.
- **December 2020 – CARES Act Funds Awarded to COR (DPU distributed \$12.2M to residential and commercial customers).**
- June 30, 2021, Virginia's state of emergency expired.
- August 29, 2021, the 2020 Appropriations Act that established the statewide moratorium on disconnections officially ended.
- **October 2021 – ARPA Funds Awarded to COR (DPU distributed \$7M to residential customers).**
- November 1, 2021, DPU reinstates late fees.
- December 2021,
 - Installment Plans = 13,773 for \$12.5M with 54% compliance.
 - Installment Plans are protected from late fees.

Impact of Pandemic on Customer Payments



Affordability & Pandemic Assistance

- DPU Ongoing Programs
 - MetroCare
 - Special payment agreements
 - Equal Monthly Payment Plan (12 months)
 - PromisePay (up to 36 months)
 - Senior assistance
- Pandemic Assistance



Low Income Housing Water Assistance Program (LIHWAP) - The state of Virginia has received \$22.5 million for LIHWAP assistance. Eligible households can receive a one-time allotment up to \$2,500. Funds must be exhausted by September 2023. DPU is in the process of identifying the eligible customer base for gas and water customers.

CARES Act Program - In December 2020, the City was awarded federal CARES Municipal Utility Relief funds. Distributed \$12.2M to 13,389 residential and commercial customers across the Gas, Water and Wastewater Utilities

ARPA Program - In October 2021, the City was awarded federal COVID-19 ARPA SLFRF Municipal Utility Assistance Program funds. Distributed \$7M to 13,261 residential customers across the Gas, Water and Wastewater Utilities

- **Unpaid Utility Bills - Effective June 1 2022**
 - Resumed delinquency notices in the monthly utility bills.
 - Field disconnections for non-residential customers who have not complied with established payment arrangements since March 2020.
 - Field disconnections for any customer whose service was restored as a result of the pandemic where no payments have been received since March 2020.
 - Mass cancellation of non-compliant payment arrangements established as a result of the pandemic in July 2020. The mass cancellation will assess applicable late charges for non-payment.
- **DPU Partners with PromisePay**
 - The PromisePay COVID-19 Relief Portal helped to reach over 27,000 eligible customers to inform them of the available relief through CARES.
 - The PromisePay Payment Plan Portal creates flexibility by allowing customers to modify their payment plan and stay on track for repayment.
 - Recognizing economic realities (i.e. inability to pay vs. unwillingness to pay), payment plans can start with as little as \$5 down.

Communicating Rate Changes

Utility Rates Effective July 1, 2022

The City of Richmond Department of Public Utilities announces utility rate changes adopted by Richmond City Council, effective July 1, 2022. These rate increases are projected to cost the average utility customer approximately \$7.32 more per month which equates to less than a three percent increase.

Utility	Rate Increase	Average Increase *
Natural Gas	2.75%	\$2.25
Water	2.50%	\$1.30
Wastewater	4.00%	\$3.38
Stormwater	8.75%	\$0.39

*Monthly average increase assumes natural gas usage of 70 Ccf; water/wastewater and stormwater parcel categorized in Tier 2 (impervious surface between 1,001

Cost of service increases are necessary to help protect the City's financial health and its ability to ensure the delivery of quality services. They also ensure the ability to maintain and replace aging infrastructure, complete capital projects, meet regulatory requirements and maintain the ability to leverage DPU's strong bond rating.

How we manage costs and affordability

Rates affect everyone. That is why we work hard to keep our costs low, which keeps rates more affordable for everyone in our community.

- Asset and project management – identifying, evaluating and prioritizing capital projects.
- Equitable cost distribution – establishment of lifeline water rates, consumption-based rates and stormwater tiers.
- Payment assistance programs – more offerings, greater flexibility, increased available funds.

How we address equity when planning rates

We commit to achieving equity in our budget by ensuring:

- We provide equitable delivery of services to residents, including access to safe and clean water.
- We maximize the benefits of infrastructure investments.
- Our workforce reflects the community we serve.
- We engage in community outreach.

Visit www.rva.gov/public-utilities or call (804) 646-4646 for more information



QUESTIONS?