

THE CHAMBER

Charlottesville Regional Chamber of Commerce



A New Century "... dedicated to representing private enterprise, promoting business and enhancing the quality of life in our Greater Charlottesville communities."

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CHAMBER REPORT: "BRINGING THE GAS," AN OVERVIEW OF THE CHARLOTTESVILLE GAS UTILITY – TO HELP INFORM, RAISE AWARENESS AND ENCOURGAGE DISCUSSION

(Charlottesville, Virginia – April 25) The Charlottesville Regional Chamber of Commerce today released "Bringing the Gas," a comprehensive report on the City of Charlottesville Natural Gas Utility in an effort to inform citizens, raise awareness, encourage discussion about the Utility, understand Charlottesville's place in the natural gas grid; how our gas gets to Charlottesville, what it costs, and the Utility's governance.

In the Report's preface, Chamber President Timothy Hulbert noted, "Bringing the Gas:" An Overview of the Charlottesville Gas Utility – is presented to our Chamber and our broader community as a public information service describing a public utility of which many of the citizens, businesses, institutions and non-profit organizations in the defined service area within our community are reliant and unaware."

Research, data collection and analysis for "Bringing the Gas:" An Overview of the Charlottesville Gas Utility, was conducted by Chamber Interns Michael Nafziger (Swarthmore College) and Raley Pisarev (University of Virginia) with access and cooperation of City of Charlottesville professional staff and reports.

The City of Charlottesville Gas Utility, owned by the City, is managed by the City of Charlottesville Department of Public Works. General governance, budgetary & financial determination, delegation to and oversight of, the Utility is vested with the Charlottesville City Manager and Charlottesville City Council.

The City Department of Public Works oversees public infrastructure, transportation, and natural resources. The management of Public Utilities is a component operation of the Department. The Water, Wastewater, and Natural Gas Utilities all have some shared supervision and structure. The ninety-three (93) employees of the public utilities have shared responsibilities. The Utility billing office handles the collection of receipts from customers of all three utilities. Equipment, vehicles, and other assets are also shared between the three utilities. The Department of Public Works is a member of the Charlottesville Snow/Ice Response Team; contributing drivers and equipment to help plow streets and parking lots.

The Report points out some basic City of Charlottesville Natural Gas Utility informational facts:

- ✓ The City of Charlottesville Gas Utility served 19,849 customers in 2015.
- ✓ Nearly two-thirds (63.1%) of the City Gas Utility customers are residents, businesses, organizations, or institutions located within the City. Over a third (36.9%) of the City Utility's customers are residents, businesses, organizations, or institutions located in Albemarle County.

- ✓ The Utility adds approximately 400 additional customers each year. The Gas Utility is chartered to operate on a break even budgetary basis. Budgeted Utility expenses in Fiscal Year 2015 were \$26.53 million.

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- ✓ Charlottesville Gas Utility's rates are comparable with to other natural gas distributors (public and private) in Virginia. Customer rates change to reflect the changing wholesale price of natural gas. Rates hit a relative low in July 2012, and then again in July 2013 to reflect the plummeting wholesale price of natural gas during those times. The highest charged rate since the start of FY2010 was in July 2010 at \$120.10 per dekatherm; the lowest reported rate in the Utility reports was in February 2016 at \$76.43 per dekatherm – 36.4% lower than the highest rate.
- ✓ Over the Report's five-year study period, the Utility generated a net average surplus of \$5.5 million every year; transferring through a "Payment In Lieu of Taxes" (PILOT) a net average of more than \$3.7 million to the City of Charlottesville annually. Over the 2005 – 2015 decade, approximately a net \$34.8 million was transferred – via PILOT payments – from the Utility "enterprise fund" to City of Charlottesville general fund and/or other City funds.
- ✓ The flow of natural gas into the City Utility's system has never been interrupted since its creation in the 1950s. The Charlottesville Gas Utility does not own or operate an emergency storage facility.

Natural gas, a commonly used source of energy for heating and electricity generation, burns more cleanly than other fossil fuel sources and is relatively inexpensive. It is found in deep underground rock formations. The wholesale price of natural gas has been reduced by approximately half the prices five to eight years ago due to the introduction of shale gas, which has increased production and supply. Shale gas is an increasingly available source of natural gas through advances in hydraulic fracturing extraction technology. Increased hydraulic fracturing extraction has offset decreases in natural gas production from conventional reservoirs, and led to increases in reserves of natural gas in the United States. Currently, 98.5% of natural gas consumed in the United States emanates from North American natural gas deposits. Transporting natural gas to homes, businesses, organizations, and institutions requires an interconnected system of pipelines.

The City of Charlottesville purchases natural gas from BP Global (BP) – originating in various locations such as the coastal states surrounding the U.S. Gulf of Mexico, Ohio, Pennsylvania, West Virginia, etc. – at market prices. The natural gas is then transported through pipelines by a series of companies. The natural gas consumed in Charlottesville is transported by Columbia Pipeline Group (CPGX / NYSE), to the City of Charlottesville's transmission pipelines.

The City of Charlottesville Gas Utility operates a 600-mile system of pipelines (main: 328 miles; service: 272 miles) that is interconnected, meaning that if a few pipelines were to be damaged or interrupted for some reason, the flow of gas could be redirected and still reach the majority of customers. The City-owned transmission pipeline that flows from the connection with Columbia Pipeline Group in Free Union is comprised of two separate 12-mile pipelines so that if only one were damaged, the City's source of energy would remain secure.

The City of Charlottesville Gas Utility began providing natural gas as a municipally-owned utility, to provide an energy source to residents, businesses, institutions and organizations in 1951. However, the history of the Utility dates to before the American Civil War. Construction of a Manufactured Gas Plant in an area known as the "City Yard" (currently the "Charlottesville City Warehouse") on Fourth Street NW began in 1855; completed in 1856. The plant initially produced coal gas to heat and light homes. Ownership of the gas works was transferred from the Charlottesville and University Gas & Light Company to the City of Charlottesville in 1876. The Manufactured Gas Plant was converted from a coal gas facility to a corroborated water and gas plant in the early 1920s.

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