

Long Beach

BUSINESS JOURNAL

January 18-31, 2011

Gas, Water And Electricity: Plenty Of Supply Preparing For Demand



Long Beach Department of Gas and Oil employees Carl Rogers, left, a pipeline welder, and Javier Murakami, a gas construction worker, replace a gas line in the 1700 block of Orizaba Avenue. Officials in the natural gas industry expect greater oversight in the wake of the natural gas eruption last year in San Bruno. (Photograph by the Business Journal's Thomas McConville)

■ By **MICHAEL GOUGIS**
Contributing Writer

Water, natural gas, electricity – Long Beach area residents can expect plenty of supplies and stable rates for the upcoming year, representatives of the region's major utilities suppliers say.

A rainy late fall and winter means California should have plenty of water in 2011, while natural gas discoveries in the Rocky Mountains and in Canada should meet the natural gas demands for the year. And renewable resources will help generate enough electricity to meet the foreseeable demands for power – and to have plenty in reserve.

The biggest concerns – and they are not particularly big concerns – are centered around natural gas delivery regulations after the San Bruno pipeline explosion and the upcoming proposed rate restructuring for electricity in 2012.

It is, perhaps, not a big surprise that water supplies should

be more than adequate for 2011, says Kevin Wattier, general manager of the Long Beach Water Department.

“It’s feast or famine, and we quickly went from famine to feast,” Wattier says. “While it’s still early, it’s pretty clear that the quote-unquote three-year drought has come to an end.

“We had a monstrous December everywhere in the state, not just here in the Southland. The snow pack is nearly at record levels everywhere. The supplies are looking very good. It’s very likely that the Metropolitan Water District will cancel its water shortage allocations in the spring. And typically, local agencies will react accordingly.”

That means rates for Long Beach should remain stable for 2011, he says.

“We did not raise our rates the past year, and it’s early, but if we raise rates at all, it will be well under the general rate of inflation,” Wattier says. “And there’s a pretty good chance that there will be no rate change at all.”

Until November, the city was relying on local groundwa-

ter supplies, as the drought-induced prices of MWD water were higher than the cost of water the city could obtain from its own sources. But since then, the MWD has excess imported water available, and that means the city has been buying that cheap water and using it, allowing the city's aquifers a chance to capture rainfall and refill.

Statewide, the California Department of Water Resources is anticipating that the winter will bring rainfall totaling 115 percent of average, says Maurice Roos, chief hydrologist.

"We have to be cautious, because we really don't know what the rest of the year will bring. But the snow pack is really good, about 180 percent of average for the date, and we've already got about 78 percent of the average for a full season."

Some places in Central California, Roos says, have so much water in their reservoirs that they are trying to preserve enough excess capacity to handle any potential flooding. Some are moving water to reservoirs downstream, and others are simply moving water out to the ocean.

The natural gas industry is still experiencing a glut of available supply, due to increased drilling in the Rockies and in Canada, driven by changes that has made it more economical to reach gas-bearing rock shale, says Chris Garner, director of the Long Beach Department of Gas and Oil.

"The price has been dropping, and we should experience lower natural gas prices for quite some time," Garner says. "It's just changed the whole forecast of supply for the U.S. – and supply and demand is working."

While transportation rates are expected to increase slightly in 2011, the lower commodity rate – the price of the fuel – should mean that consumer gas bills will be lower overall in 2011, Garner says. "Even with the last rate increase, our rates are still lower than they were 10 years ago. We've had four rate decreases in the last 10 years," he says.

Garner's outlook is echoed by Dennis Lord, a spokesman for The Gas Company, which services much of Southern California.

"Outlook is good. Prices are moderate in our industry. I'll ask the rhetorical question, how's your gas bill?" Lord says.

The September explosion in San Bruno that killed eight people and destroyed 38 homes has the natural gas industry anticipating increased regulation in the near future. But Lord says any additional costs will likely be minimal. In Long Beach, city officials – required by the department of transportation to inform gas users about safety – are mailing calendars to each user. The idea, Garner says, is to make the calendar nice enough that people will keep them up year-round. And it seems to be working – he's had requests from residents for extra calendars to mail to friends!

On the liquid natural gas front, a local firm has taken a major step toward its goal of creating a natural gas vehicle fueling infrastructure, allowing trucking firms to use the cleaner-burn-

ing fuel while traveling the asphalt corridors of the nation.

Clean Energy Fuels Corp. of Seal Beach has acquired Wyoming Northstar Inc. in a \$10.9 million transaction. Northstar is a leader in designing and building LNG fueling stations, and its acquisition follows on the heels of Clean Energy reaching an agreement with Pilot Flying J Travel Centers to build LNG refueling stations at selected truck centers nationwide.

"Our plan envisions a fueling infrastructure serving major goods movement and trucking corridors nationwide," says Andrew J. Littlefair, Clean Energy's president and chief executive officer.

"On the international front, growing interest in LNG fueling in markets such as China, where we have a strong developing presence through our subsidiary, IMW Industries, may provide infrastructure opportunity as well."

On the electricity front, "Southern California Edison has adequate power purchase agreements and generating capacity to meet its customers' projected 2011 needs, including a margin to address contingency situations," says spokesman Gil Alexander.

"SCE projects that more than 19 percent of its actual power deliveries in 2010 will have been from wind, solar, geothermal, small hydro and biomass – the eligible sources of electricity generation under the state's Renewables Portfolio Standards (RPS)," Alexander says.

"SCE expects to meet the overall renewable goal by using 'flexible compliance' mechanisms that allow utilities to bank and borrow credits from previous and future deliveries of renewable electricity."

While rates are anticipated to remain stable for 2011, the upcoming year will see Edison before the California Public Utilities Commission on the SCE 2012 General Rate Case. The decision is of no small significance – more than 10,000 local non-utility jobs and 17,000 local SCE jobs are at stake in this particular regulatory decision, Alexander says.

Edison is proposing a 7.55 percent increase in infrastructure-related spending in 2012, an additional 2.11 percent in 2013 and 4.45 percent in 2014. These increases could be achieved while keeping SCE's residential bills at about the national average, Alexander says.

AB32 also is on the mind of Edison, as the cap-and-trade network is scheduled to be finalized this year.

"Among the details still to be determined are the number of allowances allocated to SCE and others in the electricity sector, how out-of-state renewables will be treated to meet California requirements, and developing and implementing a tracking system for offsets," Alexander says. "It is unknown at this time what impact cap-and-trade regulation might have on utility costs and therefore customer rates." ■