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## Utility Rate Increase Memo

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**DATE:** January 10, 2023

**REFERENCE:** Natural Gas Rates

### **Dear Town of Ignacio Utility Customers:**

The Town of Ignacio has an agreement with the Southern Ute Utility Division (SUUD) for the purchase of bulk natural gas for distribution within the Town's natural gas system. The bulk natural gas rate is adjusted monthly based on the rate charged by SUUD (which is 20% over the price for which they purchase the gas) and the Town passes that rate onto you, the customer, with an additional 10% Capital Factor added to the SUUD rate. The SUUD bulk natural gas rate is based on the San Juan Basin (SJB) Index.

Unfortunately, the SJB Index pricing has been under extreme rate pressure since December and experienced unprecedented increases due to multiple factors. SUUD informed the Town in January that rate increases will be reflected in their January bill to the Town. SUUD also provided information on the various factors affecting the SJB Index, and this is included on the back of this memo for your review.

The January SJB index price for January (which will be reflected in the bill that will be mailed in February) is 32.97. This reflects a 220% increase over the December rate, which was 10.29. The December rate was an 89% increase over the November rate, which was 5.44. This rate pressure is very unfortunate and the Town is working with SUUD on possible areas for rate adjustments. Additionally, the forecast is for this rate to remain high for several months.

This memo is intended to apprise you of the increasing natural gas rate and encourage you to be efficient as possible with the utilization of your gas-fired appliances. The Town is looking into billing options that will assist you with deferring some of your winter natural gas charges to the summer billing months where natural gas charges are significantly less due to warmer weather and there is less dependence on natural gas fired heaters.

We will keep you apprised of any new developments on the natural gas rate issue and on billing/payment options that are being developed for your benefit. This information will be in your utility bills so please watch for this information. Please contact Town Hall with any questions. Thank you.



# SOUTHERN UTE GROWTH FUND

## UTILITIES DIVISION

### Public Service Announcement



#### Understanding Natural Gas Pricing as a Consumer

The Southern Ute Utilities Division (“Utilities”) values our relationship with customers and would like to share how the natural gas market impacts end users. Utilities supplies natural gas to its customers at market prices. Utilities does not profit from high natural gas pricing as it passes the actual market cost of natural gas through to its customers. Supply and demand fundamentals drive pricing in the natural gas market both nationally and regionally.

There are two primary factors impacting pricing in the San Juan Basin.

- First, national storage levels in the US are below the five-year average heading into the winter season, which is the season where natural gas inventories are typically drawn down to provide heat during the winter months.
- Second, the San Juan Basin is experiencing higher pricing when compared to other basins in the country due to low regional storage levels, increased Western US natural gas demand, pipeline infrastructure limitations, and reduced flow from Canada to the Pacific northwest.

All these factors are resulting in higher than typical natural gas pricing when compared to prior years.

Utilities encourages you to winterize your homes to save on your heating bills this winter.

If you have questions, feel free to call the Utilities Office at (970) 563.5500.

Have a wonderful holiday season,

Southern Ute Utilities Division

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