



# THE VPU QUARTERLY

a newsletter published by Virginia Public Utilities

October 2022

### The office will be closed on the following dates:

November 11th  
November 24th & 25th  
December 23rd at noon  
December 26th  
December 30th at noon  
January 2nd

### VPU — QUICK NOTES

#### **KNOW THE SMELL OF NATURAL GAS—BE SAFE!**

If there is a faint smell of natural gas, call VPU at 218-748-7540.

If in doubt, leave the building immediately & call 9-1-1.

#### **DIRECT PAY**

Sign up for Direct Pay, and eliminate the need to write out a check each month. Enrollment forms are available in the VPU office, or on our website at [www.vpuc.com](http://www.vpuc.com)

#### **Before You Dig.**

#### **Contact Gopher State One Call**

Dial 8-1-1 or 800-252-1166 or [www.gopherstateonecall.org](http://www.gopherstateonecall.org)

#### **WINTER REMINDERS**

Please keep access to all outside meters shoveled. It is especially important to keep gas meters and regulators free of snow and ice to prevent malfunctioning.

If you have a fire hydrant near your home and are able, please keep the hydrant clear of snow.

## VPU Boiler Project Nears Completion

This past spring the #1 steam boiler installation was completed and began operations on May 1st. This boiler produces 50# steam for heating, compared with the rest of our aging boiler fleet which produced 600# steam intended for electric generation and heating.



With the completion of the Northside steam zone conversion last November our larger boilers could not be operated in the summer at a low enough level to stay in compliance. Because this boiler has the ability to modulate, meaning it can turn off and on based on the outlet steam pressure, it can easily operate at the lower system pressures. In addition, this boiler, operating at full capacity, is capable of carrying the steam district on its own on the coldest of winter days.

The Utility took delivery of a second such package boiler on September 13th. Once the installation of that boiler (#2 steam boiler) is complete in early 2023, the two new boilers will operate in tandem to carry the winter loads and, should there be problems with one, the other can ramp up to carry the entire load. That's built-in redundancy.

The completion of this boiler project will allow us to completely exit the higher pressure (600#) boilers and our steam plant will operate at peak efficiency. At that point the evaluation of the sustainability of the Core District will begin.

## Admin Building—Then & Now

While cleaning my office from the clutter, which it seems I've become too comfortable with, I came across a picture of our Administrative Building taken in June of 2015. Knowing what it looks like now, I guess I felt a bit of pride in the progress we've made. It was about ten years or so ago when little problems began being bigger problems: Vinyl windows that wouldn't close tight, whole sections of exterior brick in desperate need of tuckpointing, small trees growing on our garage roof, the slow death of our 1940's vintage air conditioning compressor, and many other smaller items. I am glad that our Commission saw fit to tackle these projects one at a time and, over the course of the next five years, the building's exterior was given a complete facelift, the HVAC is now fully up to date, and interior work spaces in about 2/3rds of the building have been updated. There are a few smaller projects that should be addressed, but the Utility's office building is in a good place now and will be for quite some time. Thank you.



## Natural Gas Prices For This Coming Winter

Getting straight to the point, natural gas (NG) prices will be up this coming winter. How much? Well, I can't say for certain, but with 82% of the average gas load purchased and with a reasonable estimate of the remaining 18% (the yellow highlighted prices), winter NG prices should start at roughly \$.86/ccf in November

	<u>22-23</u>	<u>21-22</u>	<u>20-21</u>	<u>19-20</u>	<u>15-16</u>	<u>14-15</u>
Year Rnd	0.799	0.222	0.232	0.265	0.298	0.416
Oct-Apr	0.250	0.269	0.268	0.282	0.420	0.459
Oct-Apr	0.274					
Nov-Mar	0.263	0.280	0.263	0.295	0.443	0.436
Nov-Mar	0.387	0.275	0.262	0.309	0.402	0.439
Dec-Feb	0.767	0.275	0.285	0.301	0.325	0.504
Dec-Feb	0.800				0.414	0.423
Dec-Feb	0.954					
Jan-Feb	0.800					

and rise to \$1.13/ccf in February (when the higher priced strips come into play), before they fall back to \$.87 in March. That compares with last winter's prices, which were steady at \$.79/ccf. Of course, it won't help that these higher prices will come at a time of your highest usage.

Why? The cost of natural gas built into our \$.79 base price is \$.58/Ccf. Up to the fall of 2021, 50% of the NG was purchased at about \$.30/unit, but beginning this past February we saw a spike in NG prices to \$.80 - \$.90/ccf. This was the result of the war in Ukraine, continued increased use of NG to power energy production, and with the colder than normal late winter and spring, significantly lower than normal storage inventories. In addition, there is a bit of the jitters built into the price, given fears about the war getting worse and the current administration's position on fossil fuels discouraging investment. One other aspect of the cost of NG is the transport costs which, to now, have been roughly 15% of the total NG cost. These will increase to roughly 25% of the total cost of natural gas beginning this January, depending on the outcome of the transport company's case. Increased stress on NG transport infrastructure, coupled with environmental mandates, have caused the transport rates to nearly double.

Back in 2015 it was believed that \$4-\$5 prices would become the norm. Once this winter passes, NG prices will settle back, but it is more likely that prices will be in the \$4-\$5 range as opposed to the \$2-\$3 range we have seen for the last seven years. Given the increased use of natural gas for power generation, and increased LNG (liquefied natural gas) being shipped abroad, the days of \$2-\$3 gas are over.

## Loan Statements

This past August I was contacted by a customer who was inquiring about her loan balance. She had hoped that the monthly billing would show the payments made and the remaining balance, the way banks and credit unions typically do. Unfortunately, I had to apologize that we were unable to accommodate her request because our utility software does not have the same functionality for loans that a financial institution's software would have. There is a small possibility our software provider might be able to make that modification, but I wouldn't hold my breath! I offered that she could call our office at any time and request the balance and payment activity; an offer which she graciously appreciated. I want to extend that same offer to all our customers who have conversion loans through us. Please feel free to call our customer service staff, (218) 748-7540, and they will be able to provide that information to you.