

Lancaster Municipal Gas (LMG) – Rate Adjustment Overview

City Council Meeting | April 7, 2025

▲ Why Did LMG Raise Rates?

Lancaster Municipal Gas has increased residential rates by \$0.17 per ccf due to an approximate 105% rate increase from TC Energy, our primary interstate pipeline provider.

- This is a federally approved pipeline rate and not within LMG's control.
- It affects all natural gas utilities served by TC Energy across Ohio and the Midwest.
- The increase is a pass-through of transportation costs incurred by LMG and was unavoidable to maintain service and financial stability.

💰 How Does LMG Stay Competitive?

Even after this rate adjustment, LMG's residential customers still pay 15–20% less than those served by major utilities like Columbia Gas of Ohio.

⚙️ How Has LMG Kept Costs Low?

Through innovation and operational efficiency, LMG has delivered exceptional value:

- Streamlined operations to reduce overhead
- GIS & asset management systems for smarter infrastructure planning
- Mobile workforce tools and digital work order systems
- Proactive leak detection and safety tech upgrades

These allow LMG to do more, with less—serving more customers with fewer resources while keeping rates low. For this reason, LMG has made no adjustment to its delivery, or customer rates since 2004 (21 years), and only the Gas Cost Recovery has been adjusted due to situations like this as well as several commodity cost-related adjustments (both up and down).

🏠 Commitment to Lancaster

This rate increase was necessary—but LMG remains committed to:

- Transparent, responsible rate management
- Continued innovation and cost control
- Providing safe, reliable, and affordable natural gas to our community

We appreciate your understanding and continued support. I would like to invite you or any member of the public to stop by the LMG office at 1424 Campground Rd to see our operation firsthand and provide any feedback you may have.

Questions?

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Frequently Asked Questions (FAQ)

- Q: Why now? Can't we wait another year?

This increase in Expenses is substantial (appx. 4.5 million per year). If we don't act now, it could put LMG in a bad financial position very quickly.

- Q: How much will this affect the average household?

The typical household will see a monthly increase of approximately \$8 (average – heating season dependent) and depending on usage. This keeps us below the regional average.

- Q: Are other communities seeing increases too?

Yes. Every utility impacted by TC Energy's rate change is dealing with this, regardless of whether they're public or private. The difference is we're focused on minimizing impact and operating lean.

- Q: Couldn't you just cut expenses instead of raising rates?

We've done that—internal audits, staffing changes, tech upgrades. This rate adjustment reflects only what's necessary to maintain reliability and safety. If you do the math, LMG's throughput is around 2 BcF per year. To account for a cost increase of \$4.5 million, the rate increase should have been \$0.225 per ccf. LMG is happy to report it is currently positioned to absorb \$0.055 of that and is only increasing the GCR by \$0.17.

- Q: Are there programs to help residents who can't afford the increase?

Yes. We offer a customer assistance program, budget billing, and referrals to local agencies for utility assistance. We're committed to working with any resident who needs help. Customers can contact the Utilities Collection Office at 740-687-6627 for a list of assistance programs.

- Q: Why don't we just switch to a different supplier?

While it's a reasonable question, the reality is that TC Energy remains the most cost-effective supplier even after the recent rate increase. Switching to a different supplier would likely result in higher long-term costs. Additionally, building a new delivery station to connect with an alternate pipeline could cost millions of dollars and take years to implement. Staying with TC Energy is still the best option for keeping rates as low as possible in the near and long term.

- Q: Why don't we invest in capturing renewable gas from farms, sewage plants, or landfills?

While the idea of capturing renewable gas from farms, wastewater treatment plants, or landfills sounds appealing, it's unfortunately not practical for our system. Renewable gas projects are extremely expensive. By the time facilities were constructed, staffed, and

operational, the costs would likely require another significant rate increase to recover the investment (likely over double our current rates). Additionally, the actual volume of renewable gas available from these sources is quite low and would not meaningfully offset our overall supply needs.

There are also serious operational concerns. Renewable gas tends to have lower and inconsistent quality, which can pose risks to the integrity and reliability of our distribution system. For all these reasons—economic, operational, and technical—renewable gas is not a feasible option for our community at this time.

- Q: Will the revenue from the rate increase be used to support other city projects?

No. Under the Ohio Revised Code (ORC), funds collected through utility rates must remain within the enterprise fund for that utility. This means every dollar collected from this rate adjustment must be used exclusively for operations, maintenance, infrastructure, and improvements related to the utility. None of the funds can be diverted to other city departments or unrelated projects.