



MAYOR GLENN L. BRASSEAU

**COUNCILMAN JORDAN ARCENEUX | COUNCILMAN ANTOINE BABINEAU | COUNCILWOMAN DANIELLE CAPRITTO
COUNCILWOMAN KIM GUIDRY | COUNCILMAN ALFRED SINEGAL**

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To Our Customers,

We would like to take this opportunity to explain some of the causes which have contributed to the recent rise in your gas costs. There are three basic areas which have resulted in the increased costs; they are:

- **Unfunded Government Mandates** – The Pipeline Hazardous Materials Safety Administration (PHMSA) is the governmental body responsible for regulating all gas systems in the United States. They have recently passed regulations which have increased our operating costs such as Distribution Integrity Management and its associated requirements. These cost of these upgrades and activities are the responsibility of the gas system and no federal funds were provided to meet the new codes. There are some recent grants made available and we are seeking to apply for these but funds are very limited.
- **LNG Exports** – If you have watched the news lately the US is increasing Natural Gas exports to replace Russian provided gas to European countries in an effort to sanction Russia due to their recent attack on Ukraine. As any price for commodities or services is driven by supply and demand, these actions have reduced the supply. Overall, LNG exports have resulted in US gas companies having to compete with world for gas produced in our own country. From January of last year to October, the average cost of natural gas wholesale rose 293% on average in the US.
- **Pipeline Transportation Costs** – Finally, the pipeline which City of Carencro historically received our gas through was shut down a few years back. Through a settlement at the Federal Energy Regulatory Commission which we intervened in on behalf of our ratepayers, the resulting agreement had a ramp up every two years until the final rate was met. This final ramp up occurred earlier this year. This has caused our transport portion of our wholesale cost to increase by over 100%.

Despite all of this, natural gas remains the lowest energy available compared to power and propane. We hope this helps explain the issues we are facing, and we appreciate your continued business.

Regards,