

MEMORANDUM

TO: UTILITIES ADVISORY COMMISSION

FROM: UTILITIES DEPARTMENT

DATE: APRIL 4, 2007

SUBJECT: PROPOSED FY 2007-08 AND FY 2008-09 NATURAL GAS RATE INCREASES

RECOMMENDATION

This report requests the Utilities Advisory Commission (UAC) recommend that the City Council:

- a) Approve a 9.5 percent natural gas retail rate, or \$4.9 million revenue increase, for FY 2007-08, effective July 1, 2007;
- b) Approve, in concept, another 9.1 percent natural gas retail rate, or \$4.5 million revenue increase, for FY 2008-09; and
- c) Reinstate a monthly customer charge for all classes of customers, irrespective of their monthly gas consumption, in order to collect a portion of fixed costs.

BACKGROUND

In June 2006, the City Council approved a 20 percent natural gas revenue increase for FY 2006-07 due to increased natural gas wholesale supply costs. In recent years, gas sales in Palo Alto have declined or been flat due to reduced load growth, a continued soft economy, commercial customers exiting the City, energy efficiency impacts and warmer-than-forecasted weather patterns. For the first six months of FY 2006-07, residential consumption was approximately 5 percent lower than budgeted.

Withdrawals of funds from the Gas Supply Rate Stabilization Reserve (G-SRSR) have been made over the last several years to offset increases in wholesale supply costs, and additional withdrawals for unanticipated expenses, such as Workers' Compensation and retiree medical liabilities, caused the Gas Distribution Rate Stabilization Reserve (G-DRSR) level to decline further.

DISCUSSION**Revenues, Expenses and Reserves**

Wholesale natural gas prices have generally stabilized, and the "laddering" strategy used to purchase gas has resulted in relatively stable wholesale gas costs. While the laddering purchase strategy does

not eliminate all supply risk, it has had a favorable impact on the G-SRSR. Gas supply costs for the remainder of FY 2006-07 are projected to be stable through FY 2007-08.

While the G-SRSR balance is projected to be below Minimum Guideline levels, it exceeds the target established by the "Annual Risk Assessment for Reserves" for FY 2007-08, and a gas supply revenue increase is not recommended at this time. For FY 2008-09, a projected \$4.5 million revenue increase will be applied to the gas supply fund to offset increased costs and further fund the G-SRSR.

Consumption levels for FY 2007-08 and beyond are projected to remain flat, but may decline due to continuing warmer winter weather patterns. While declining or fluctuating sales volumes can result in correspondingly lower purchase costs for gas wholesale supply, the negative impact on the G-DRSR can also be significant. Operations, maintenance, infrastructure replacement, and internal staff functions require funding on an ongoing basis.

Under current rate structures, distribution revenues are collected on a per therm basis. As sales volumes have declined, so have revenues, resulting in a pattern of reserve withdrawals to cover costs over the last several years. Although many of these withdrawals were planned, additional unexpected costs, such as the new regulations requiring greater Utilities funding of retiree medical and Workers' Compensation liabilities beginning in FY 2005-06, have resulted in larger withdrawals from the G-DRSR than originally planned.

Staff proposes an increase of approximately \$4.9 million in Gas Distribution Fund revenues for FY 2007-08. The "Annual Risk Assessment for Reserves" was performed for the Gas Distribution Fund based on loss of revenue due to reduced sales and unplanned capital projects. The proposed increase is projected to bring the FY 2007-08 ending balance for the G-DRSR above the Risk Assessment level of \$3.3 million by \$100,000, but it will be \$600,000 below the Minimum Guideline level. To bring the G-DRSR balance to the Minimum Guideline level would require an additional 1.9 percent rate increase. The G-DRSR level is expected to exceed the Minimum Guideline at the end of FY 2008-09 by \$700,000.

Customer Charge

In conjunction with the proposed revenue increase, staff is recommending the institution of a fixed monthly "Customer Charge" to collect some of the allocated distribution costs not currently being recovered from low consumption users. A natural gas fixed "Meter Charge" was eliminated in the 1970's, to encourage conservation. As loads and sales continued to grow, fixed costs were spread across increasing sales volumes and full recovery was ensured. However, as sales decline or fluctuate due to unanticipated weather patterns, a more logical cost recovery mechanism is necessary to ensure equitable capture of certain utility non demand-related expenses such as meter reading and customer accounting.

To avoid a sudden negative impact on the smaller gas user, staff recommends that the customer charge initially be set at a level that does not fully collect all fixed costs, but rather a portion of those costs. For example a \$5.25 monthly charge is proposed for most of the residential customers, which represents 45% of the fully allocated cost-of-service of \$9.50. Incremental changes will be made over time in order to achieve the 100% fully allocated level. For larger customers the monthly charge, based on meter size, will immediately collect the fully allocated customer costs.

Under the recommendation, an average customer using 100 therms per month in the winter and 30 therms per month in the summer will experience no negative bill impact from this change. A customer whose gas consumption is lower than average, or even zero in some months, will now be required pay for a portion of fixed costs incurred to serve, which has not been billed in the past.

Allocation of Revenue Increase

Over time, gas loads and usage patterns change within and between customer classes. Based on a recently performed cost-of-service study, customer load profiles were updated and analyzed according to industry norms. The study identified the appropriate cost allocation method to achieve equity between customer classes, and staff incorporated the results in its rate recommendation.

The customer charge will insure collection of some of the non-demand related costs, such as billing and meter reading costs, as indicated by the cost-of-service study. The expected revenue which would be collected from the proposed monthly fixed charges from customer classes is approximately \$2.3 million.

Bill Comparison

A recent bill comparison with PG&E showed that, during the first three months of the winter of FY 2006-07, Palo Alto's average residential customer (using 100 therms per month) had gas costs 7.2 percent above PG&E's average customer's gas costs for the same period (\$407.35 vs. \$379.94 total, a \$27.41 difference). The largest difference this past winter occurred in January 2007, when Palo Alto's average residential customer paid \$135.78, while a comparable PG&E customer paid \$125.32. For the past three fiscal years, however, average winter residential bills for Palo Alto customers have been between 26.9 to 31.5 percent lower than for PG&E customers, and annual residential bills have been lower by roughly 25 percent.

As noted earlier, the Palo Alto laddered purchasing strategy provides stable rates to Palo Alto customers. In contrast, the PG&E strategy, based on 30-day market purchases, results in rates which can fluctuate monthly. As a result, it is impossible to determine with any certainty whether Palo Alto's bills will be above or below PG&E's at a given future date. However, over time, the Palo Alto purchasing strategy compares positively against the PG&E purchasing strategy to the benefit of Palo Alto gas customers. Table 1 shows customer gas bills using Palo Alto's and PG&E's rates since FY 2003-04.

TABLE 1: Palo Alto Customer Gas Bill Comparison with PG&E

Historical Residential Gas Bills	FY 03-04	FY 04-05	FY 05-06	FY 06-07 *
PA average winter (100 therms/month)	\$ 67.07	\$ 83.27	\$ 103.54	\$135.78
PG&E average winter (100 therms/month)	\$ 94.79	\$ 113.88	\$ 151.07	\$126.65
PA average summer (30 therms/month)	\$ 23.80	\$ 27.59	\$ 35.98	\$ 46.16
PG&E average summer (30 therms/month)	\$ 28.14	\$ 30.97	\$ 38.91	\$ 34.48
PA Annual bills	\$ 545.23	\$ 665.16	\$ 837.10	\$ 591.98
PG&E Annual bills	\$ 737.63	\$ 869.06	\$ 1,139.84	\$ 517.88

* FY 06-07 data taken through January 2007

For large customers, distribution rates in Palo Alto are higher than the distribution rates in PG&E's territories due to a different customer mix and differences in budgeting and accounting of funding of capital improvement programs. In Palo Alto, the funding for the normal maintenance of the system and for regular CIP work (not including major projects) is done primarily through rates on a "pay-as-you-go" basis, rather than through issuance of long-term debt. Staff will work with other departments to determine if the current Utilities funding mechanism should be modified in the future in order to stabilize rates and revenue requirements.

Table 2 shows the impact of the proposed rate increase on customer bills.

TABLE 2: Impact of Proposed Rate Increase on Customer Bills

Customer	Usage Therms	Monthly Bill	Amount of Increase	Percent Increase/ (Decrease)
Residential/Winter	100	\$ 149.97	\$ 14.19	10.5
Residential/Summer	30	54.09	7.93	17.2
Commercial G-2	500	726.00	79.20	12.2
Industrial G-2	10,000	13,855.00	919.00	7.4
Contract Customers – Distribution only	60,000	73,625.00	3,329.00	4.7

Risk Assessment

An annualized risk assessment has been performed by staff which compares projected reserve levels to applicable risk factors. This assessment has determined that reserve balances are adequate for FY 2007-08. An updated risk assessment will be performed as part of the budget process for FY 2008-09.

TABLE 3: Gas Reserve Balance, Guidelines and Risk Assessment Levels

Reserve Balance and Guidelines (Gas Supply)	FY 2007-08	FY 2008-09
End of Year Balance (Forecast)	\$4.3 million	\$6.4 million
Risk Assessment Level	\$3.7 million	\$3.8 million
Reserve Minimum Level	\$9.2 million	\$9.6 million
Reserve Maximum Level	\$19.7 million	\$20.7 million

Reserve Balance and Guidelines (Gas Distribution)	FY 2007-08	FY 2008-09
End of Year Balance (Forecast)	\$3.4 million	\$4.7 million
Risk Assessment Level	\$3.3 million	\$3.4 million
Reserve Minimum Level	\$4.0 million	\$4.0 million
Reserve Maximum Level	\$10 million	\$10.1 million

Although the recommended revenue increase leaves the FY 2007-08 G-DRSR ending balance below the Minimum Guidelines approved by the City Council, it exceeds the target established by the “Annual Risk Assessment for Reserves” by \$100,000. The total \$4.5 million increase proposed for FY 2008-09, will be applied to forecasted cost increases in natural gas wholesale supply. Staff will evaluate Supply and Distribution Reserve balances on an ongoing basis and during the budget process for FY 2008-09.

RESOURCE IMPACT

Approval of these recommended revenue increases will raise the Gas Fund sales revenues by:

- a) \$4.9 million for FY 2007-08; and
- b) \$4.5 million for FY 2008-09 (to be approved-in-concept)

All revenue impacts related to the recommended customer charge have been included in the revenue increases.

POLICY IMPLICATIONS

These recommendations do not represent a change in current City policies. The proposed rate increase is consistent with the Utilities Strategic Plan approved by the Council “to provide superior financial performance to the City and competitive rates to customers.”

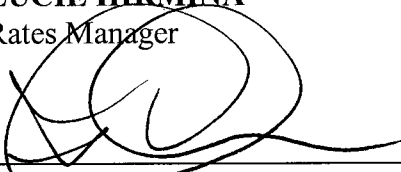
ATTACHMENTS

- A: Gas Rate Schedules G-1, G-2, G-3, G-4, G-6, G-10, G11, and G-12

PREPARED BY:

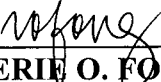
LUCIE HIRMINA
Rates Manager

REVIEWED BY:



TOM LAUZENNE
Assistant Director, Customer Services

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VALERIE O. FONG
Director of Utilities

RESIDENTIAL GAS SERVICE

UTILITY RATE SCHEDULE G-1

A. APPLICABILITY:

This schedule applies to natural gas service to individually metered single family premises, including those separately metered in a multi-family complex.

B. TERRITORY:

Within the service area of the City of Palo Alto and on land owned or leased by the City.

C. RATES:

Per Service

Monthly Customer Charge: \$5.25

Commodity Rate: (To be added to Customer Charge)

Tier 1 Rates:

Per Therm

Summer (0-20 therms); Winter (0-96 therms)

1.	Commodity Charge	\$0.6560
2.	Administrative Fee	\$0.0227
3.	PG&E Local Transportation	\$0.0212
4.	Palo Alto Local Distribution	\$0.7227
	Tier 1 Rate Total	\$1.4226

Tier 2 Rates:

Summer (Over 20 therms); Winter (Over 96 therms)

1.	Commodity Charge	\$1.2720
2.	Administrative Fee	\$0.0227
3.	PG&E Local Transportation	\$0.0212
4.	Palo Alto Local Distribution	\$0.7227
	Tier 2 Rate Total	\$2.0386

D. SPECIAL NOTES:

- Seasonal rate changes: The summer period is effective May 1 to October 31 and the winter period is effective from November 1 to April 30. When the billing period is partly in the summer period and partly in the winter period, the billing will be computed by prorating the total therm usage and the applicable rates thereto between the two seasonal periods, according to the ratio of the number of days in each seasonal period to the total number of days in the billing period.



RESIDENTIAL GAS SERVICE

UTILITY RATE SCHEDULE G-1

2. Service under this schedule is subject to discontinuance in whole or in part, for operational reasons or if the City experiences supply or capacity shortages. The City will exercise reasonable diligence and care to furnish and deliver continuous service and a sufficient quantity of gas to customers, but does not guarantee continuity of service or sufficiency of quantity. The City shall not be liable for any damage caused by interruption of service, if the interruption of service is caused by an act of God, Fire, Strikes, riots, war, or any other cause that is beyond the City's control.

{End}



COMMERCIAL GAS SERVICE

UTILITY RATE SCHEDULE G-2

A. APPLICABILITY:

This schedule applies to non-residential customers who use less than 250,000 therms per year at a single address. This schedule may include service to master-metered multi-family facilities.

B. TERRITORY:

Within the service area of the City of Palo Alto and on land owned or leased by the City.

C. RATES:

Per Service

Monthly Customer Charge: \$35.00

Commodity Rate: (To be added to Customer Charge)

All year-round delivered commodity: Per Therm

1. Commodity Charge	\$0.7886
2. Administrative Fee	\$0.0227
3. PG&E Local Transportation	\$0.0212
4. Palo Alto Local Distribution	\$0.5495
Total per therm.....	\$1.3820

D. SPECIAL CONDITIONS:

1. Service under this schedule is subject to discontinuance in whole or in part, for operational reasons or if the City experiences supply or capacity shortages. The City will exercise reasonable diligence and care to furnish and deliver continuous service and a sufficient quantity of gas to customers, but does not guarantee continuity of service or sufficiency of quantity. The City shall not be liable for any damage caused by interruption of service, if the interruption of service is caused by an act of God, Fire, Strikes, riots, war, or any other cause that is beyond the City's control.

{End}

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Effective 7-1-2007

Sheet No. **G-2-1**

LARGE COMMERCIAL GAS SERVICE

UTILITY RATE SCHEDULE G-3

A. APPLICABILITY:

This schedule applies to service for large commercial customers who use at least 250,000 therms per year at one site and have retained gas direct access eligibility. This schedule also applies to City owned generation facilities.

B. TERRITORY:

Within the service area of the City of Palo Alto and on land owned or leased by the City.

C. RATES:

Per Service

Monthly Customer Charge: \$311.00

Commodity Rate: (To be added to Customer Charge)

Monthly Market-based Power Supply Charge:

Per Therm

Supply Charges:

- 1. Commodity Charge \$0.10-\$2.00
- 2. Administrative Fee \$0.0227
- 3. PG&E Local Transportation \$0.0212

Distribution Charge:

- 1. Palo Alto Local Distribution \$0.3300

D. SPECIAL CONDITIONS:

- 1. Service under this schedule is subject to discontinuance in whole or in part, for operational reasons, or if the City experiences supply or capacity shortages. The City will exercise reasonable diligence and care to furnish and deliver continuous service and a sufficient quantity of gas to customers, but does not guarantee continuity of service or sufficiency of quantity. The City shall not be liable for any damage caused by interruption of service, if the interruption of service is caused by an act of God, Fire, Strikes, riots, war, or any other cause that is beyond the City's control.



LARGE COMMERCIAL GAS SERVICE

UTILITY RATE SCHEDULE G-3

(Continued)

2. The commodity charge is equal to the City's weighted average cost of gas calculated at the PG&E City Gate for gas purchased by the City at first of the month and daily market prices for that month. The commodity charge will fall within the minimum/maximum range set forth in C.1. and include the cost of transporting the gas to the PG&E City Gate.
3. The Administrative fee is equal to the allocable administrative and overhead costs incurred by the City in providing the gas service.
4. PG&E Local transportation charge is equal to the cost of transporting gas from the PG&E's City Gate to the Palo Alto City Gate.
5. The total monthly charge = therms used during the month X (commodity charge + administrative fee + PG&E local transportation charge + Palo Alto local distribution charge) + Monthly Customer Charge.
6. A qualifying customer may request service under this schedule for more than one account or meter if the accounts are located on one site. A site shall be defined as one or more utility accounts serving contiguous parcels of land with no intervening public right-of-ways (e.g. streets) and have a common billing address.
7. Customers may request a rate schedule change at any time to any applicable City of Palo Alto full-service rate schedule. Customers served under this rate schedule may elect Gas Direct Access at any time.

{End}



LARGE COMMERCIAL GAS TRANSPORTATION SERVICE

UTILITY RATE SCHEDULE G-4

A. APPLICABILITY:

This schedule applies to gas transportation service for large commercial customers who use at least 250,000 therms per year and have retained gas direct access eligibility.

B. TERRITORY:

Within the service area of the City of Palo Alto and on land owned or leased by the City.

C. RATES:

Per Service

Monthly Customer Charge:

\$311.00

Per Therm Charges (To be added to Customer Charge

Per Therm

Supply Charge:

PG&E Local Transportation\$0.0212

Distribution Charge:

Palo Alto Local Distribution.....\$0.3300

D. SPECIAL CONDITIONS:

1. Qualifying customers may request a rate schedule change at any time during the year to any applicable full service rate schedule.
2. Specific terms and conditions shall be covered by separate agreement between the City and Gas Service Provider.
3. PG&E local transportation charge is equal to the cost of transporting natural gas from the PG&E City Gate to Palo Alto City Gate. Customers who elect this service must have the gas delivered to PG&E City Gate.
4. Total monthly charge = therms used x (PG&E local transportation charge + P.A. distribution charge) + Monthly Customer Charge.

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Sheet No. **G-4-1**

Supersedes Sheet No. G-4-1 dated 7-1-2006

LARGE COMMERCIAL GAS TRANSPORTATION SERVICE

UTILITY RATE SCHEDULE G-4

(Continued)

5. Qualifying customers may request service under this schedule for more than one account or meter if every account meets the minimum usage requirement of 250,000 therms per year.
6. Qualifying customers may request service under this schedule for more than one account or meter if the accounts are located on one site. A site shall be defined as one or more utility accounts serving contiguous parcels of land with no intervening public right-of-ways (e.g. streets) and have a common billing address.

{End}



MUNICIPAL GAS SERVICE

UTILITY RATE SCHEDULE G-6

A. APPLICABILITY:

This schedule applies to service buildings and facilities owned and/or operated by the City of Palo Alto and not currently served under G-11 or G-12.

B. TERRITORY:

Within the service area of the City of Palo Alto and on land owned or leased by the City.

C. RATES:

Per Service

Monthly Customer Charge: \$55.25

Per Therm Charges (To be added to Customer Charge) Per Therm

Supply Charges:

1. Commodity Charge	\$0.7886
2. Administrative Fee	\$0.0227
3. PG&E Local Transportation	\$0.0212
Total Supply Charges	\$0.8325

Distribution Charge:

1. Palo Alto Local Distribution	\$0.5629
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D. SPECIAL CONDITION:

1. Service under this schedule is subject to discontinuance in whole or in part, for operational reasons or if the City experiences supply or capacity shortages. The City will exercise reasonable diligence and care to furnish and deliver continuous service and a sufficient quantity of gas to customers, but does not guarantee continuity of service or sufficiency of quantity. The City shall not be liable for any damage caused by interruption of service, if the interruption of service is caused by an act of God, Fire, Strikes, riots, war, or any other cause that is beyond the City's control.
2. The Administrative fee is equal to the allocable administrative and overhead costs incurred by the City in providing the gas service.
3. PG&E Local transportation charge is equal to the cost of transporting gas from the PG&E's City Gate to the Palo Alto City Gate.

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MUNICIPAL GAS SERVICE

UTILITY RATE SCHEDULE G-6

(Continued)

4. The total monthly charge = therms used during the month X (commodity charge + administrative fee + PG&E local transportation charge + Palo Alto local distribution charge) + Monthly Customer Charge.

5. Customers served under this rate schedule are not eligible for gas direct access and cannot request a rate schedule change to any full-service rate applicable to customers who are eligible for gas direct access (i.e. G-3, G-11, or G-12).

{End}



COMPRESSED NATURAL GAS SERVICE

UTILITY RATE SCHEDULE G-10

A. APPLICABILITY:

This schedule applies to the sale of compressed natural gas (CNG) at the City-owned natural gas fueling stations to customer who use CNG for fueling CNG vehicles.

B. TERRITORY:

Applies to locations within the service area of the City of Palo Alto.

C. RATES:

	<u>Per Therm</u>	<u>Per Gasoline Gallon Equivalent</u>
Commodity Charge	\$1.22	\$1.42

For billing purposes, the number of gallons will be complied from a Summary of Transactions recorded by the dispensing unit for the customer during the month.

D. SPECIAL CONDITIONS

1. Service under this schedule is subject to discontinuance in whole or in part in case of actual or anticipated shortage of natural gas resulting from insufficient supply, inadequate transmission or delivery capacity of facilities.
2. Service under this schedule is provided only from a designated City fueling station which will deliver CNG at approximately 3,000 pounds per square inch (PSI).
3. Individuals responsible for fueling a Natural Gas Vehicle shall be required to complete training sessions to be certified to fuel a vehicle. Each individual must sign and date the Certificate of Instruction for Fueling Natural Gas Vehicle.
4. Customers requesting to take service under this rate schedule are required to sign a Compressed Natural Gas Agreement before commencing service.
5. If required by local or federal law, assessed applicable taxes shall be added to charges shown in this rate schedule.

{End}

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Supersedes Sheet No. G-10-1 dated 7-1-2006

Effective 7-1-2007
Sheet No. **G-10-1**

LARGE COMMERCIAL FIXED-TERM COMMODITY GAS SERVICE

UTILITY RATE SCHEDULE G-11

A. **APPLICABILITY:**

This schedule applies to large commercial customers who use at least 250,000 therms per year at one site and have retained gas direct access eligibility.

B. **TERRITORY:**

Within the service area of the City of Palo Alto and on land owned or leased by the City.

C. **RATES:**

Per Service

Monthly Customer Charge: \$311.00

Per Therm Charges (To be added to Customer Charge) Per Therm

Supply Charges:

- | | |
|------------------------------------|---------------|
| 1. Commodity Charge | \$0.20-\$2.00 |
| 2. Administrative Fee | \$0.0227 |
| 3. PG&E Local Transportation | \$0.0212 |

Distribution Charge:

- | | |
|---------------------------------------|----------|
| 1. Palo Alto Local Distribution | \$0.3300 |
|---------------------------------------|----------|

D. TERM: 12 Months or 24 Months

E. **SPECIAL CONDITIONS:**

1. Service under this schedule is subject to discontinuance in whole or in part, for operational reasons, or if the City experiences supply or capacity shortages. The City will exercise reasonable diligence and care to furnish and deliver continuous service and a sufficient quantity of gas to customers, but does not guarantee continuity of service or sufficiency of quantity. The City shall not be liable for any damage caused by interruption of service, if the interruption of service is caused by an act of God, Fire, Strikes, riots, war, or any other cause that is beyond the City's control.
2. Qualifying customers who choose to be charged under this rate schedule are required to sign a letter with CPAU committing to a price and term and to adhere to rules and regulations set forth in CPAU Rule and Regulation No. 5 (Contracts). The letter shall indicate the estimated gas consumption over the term of the contract rate. This consumption shall be served solely by CPAU.

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Effective 7-1-2007
Sheet No. G-11-1

LARGE COMMERCIAL FIXED-TERM COMMODITY GAS SERVICE

UTILITY RATE SCHEDULE G-11

(Continued)

3. The Commodity Charge shall be fixed for a 12 or 24-month term. The other components of the rate: Administrative Fees, Transportation Charges, Distribution Charges and Monthly Customer Charges may be modified periodically with the Council's approval.
4. The Commodity Charge component of this rate and the term will be set at the time when the customer signs a letter acknowledging the term and price agreed upon with CPAU. The Commodity Charge shall be based upon the customer class average load shape, a risk premium, and market prices. The Commodity Charge will fall within the range set in Section C, Part 1 of this Schedule and will be for gas delivered to PG&E City Gate.
5. The Administrative Fee is equal to the allocable administrative and overhead costs incurred by the City in providing the gas service.
6. PG&E Local transportation charge is equal to the cost of transporting gas from PG&E City Gate to the Palo Alto City Gate.
6. Total monthly charge = therms used during the month X (Commodity Charge + Administrative Fee + PG&E Local Transportation Charge + Palo Alto Local Distribution Charge) + Monthly Customer Charge.
7. The customer must remain on this term rate for the term indicated on the Confirmation Schedule, providing the customer continues to receive distribution services from the City. The confirmation Schedule shall indicate the Customer's approximate gas usage (load) over the term of the contract. This load shall be served solely by CPAU.
8. Qualifying customers may request service under this schedule for more than one account or meter if the accounts are located on one site. A site shall be defined as one or more utility accounts serving contiguous parcels of land with no intervening public right-of- ways (e.g. streets) and have a common billing address.
9. A customer may renew service under this rate schedule with a 30-day advance notice. The Commodity Charge for the renewed term of service will be based on the published fixed-term commodity charge at the time service is renewed. Customers electing not to renew service under this rate schedule will be returned to an applicable full-service gas rate schedule of their choice. If no choice is made, the customer will be placed on G-3.

{End}

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CITY OF PALO ALTO
UTILITIES

Supersedes Sheet No. G-11-2 dated 8-1-2001

Effective 7-1-2007
Sheet No. **G-11-2**

LARGE COMMERCIAL CUSTOM COMMODITY GAS SERVICE

UTILITY RATE SCHEDULE G-12

A. APPLICABILITY:

This schedule applies to large commercial customers who use at least 250,000 therms per year at one site and have retained gas direct access eligibility.

B. TERRITORY:

Within the service area of the City of Palo Alto and on land owned or leased by the City.

C. RATES:

Per Service

Monthly Customer Charge: \$311.00

Per Therm Charges (To be added to Customer Charge) Per Therm

Supply Charges:

- 1. Commodity Charge..... \$0.20-\$2.00
- 2. Administrative Fee\$0.0227
- 3. PG&E Local Transportation\$0.0212

Distribution Charge:

- 1. Palo Alto Local Distribution.....\$0.3300

D. TERM: Up to 5 years

E. SPECIAL CONDITIONS:

- 1. Service under this schedule is subject to discontinuance in whole or in part, for operational reasons, or if the City experiences supply or capacity shortages. The City will exercise reasonable diligence and care to furnish and deliver continuous service and a sufficient quantity of gas to customers, but does not guarantee continuity of service or sufficiency of quantity. The City shall not be liable for any damage caused by interruption of service, if the interruption of service is caused by an act of God, Fire, Strikes, riots, war, or any other cause that is beyond the City's control.
- 2. Qualifying customers who choose to be charged under this rate schedule are required to sign a contract and confirmation schedule with CPAU and adhere to rules and regulations set forth in CPAU Rule and Regulation No. 5 (Contracts).
- 3. The Commodity Charge shall be based upon the customer load shape and size, term, and market prices. The other components of the rate: Administrative Fees, Transportation Charges, Distribution Charges and Monthly Customer Charge may be modified periodically with the Council's approval.

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Effective 7-1-2007
Sheet No. **G-12-1**

LARGE COMMERCIAL CUSTOM COMMODITY GAS SERVICE

UTILITY RATE SCHEDULE G-12

(Continued)

4. The Commodity Charge component of this rate and the term will be set at the time when the customer signs the Contract. Rate options available under Contract may include, but are not limited to, commodity rate caps, collars, forward strips, and trigger rates. Pricing for such products, including any necessary fees, will fall within the Commodity Charge range set forth in Section C, Part 1 of this Schedule. A rate cap is defined as a floating rate with a guaranteed maximum price. A rate collar is defined as a floating rate with maximum and minimum rate levels. Forward strips are defined as a set rate for a set term calculated by taking the average rate over a specified period of time. A rate trigger is a mechanism wherein the customer could set a specific rate level and if the market rate reaches that level, the customer rate is automatically set at that level.
5. The Administrative Fee is equal to the allocable administrative and overhead costs incurred by the City in providing the gas service.
6. PG&E Local transportation charge is equal to the cost of transporting gas from PG&E City Gate to the Palo Alto City Gate.
7. Total monthly charge = therms used during the month X (Commodity Charge + Administrative Fee + PG&E Local Transportation Charge + Palo Alto Local Distribution Charge) + Monthly Customer Charge.
8. The customer must remain on this term rate for the term indicated on the Confirmation Schedule, providing the customer continues to receive distribution services from the City. The confirmation Schedule shall indicate the Customer's approximate gas usage (load) over the term of the contract. This load shall be served solely by CPAU.
9. Qualifying customers may request service under this schedule for more than one account or meter if the accounts are located on one site. A site shall be defined as one or more utility accounts serving contiguous parcels of land with no intervening public right-of- ways (e.g. streets) and have a common billing address.
10. A customer may request a renewal of this rate with a 30-day advance written notice. The commodity charge for the renewed period will be based on the market prices and other pricing factors that exist at the time the rate is renewed. Customers electing not to renew the Contract will be returned to an applicable full-service gas rate schedule of their choice. If no choice is made, the customer will be placed on G-3.

{End}

CITY OF PALO ALTO UTILITIES

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CITY OF PALO ALTO
UTILITIES

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