Title: Gas Utility Rate Schedules G-10 and G-3

Subject: Finance Committee Recommendation to Adopt a Resolution Amending Utility Rate Schedules G-10 and G-3 of the City of Palo Alto Utilities Rates and Charges Pertaining to Gas Rates

From: City Manager

Lead Department: Utilities

RECOMMENDATION
The Utilities Advisory Commission (UAC), the Finance Committee and staff recommend that the City Council adopt changes to Gas Utility Rate Schedule G-10 (Compressed Natural Gas Service) and Gas Utility Rate Schedule G-3 (Large Commercial Gas Service) as attached. The rate schedules, if approved, would become effective March 1, 2011.

EXECUTIVE SUMMARY
The current G-10 schedule is open to all compressed natural gas (CNG) sales, potentially including members of the public. The proposed changes: 1) convert G-10 to a rate schedule only applicable to Utilities department sales of natural gas to the City’s CNG facility at the Municipal Service Center (MSC), operated by the Public Works department; and 2) base the G-10 commodity charge on market rates rather than the City’s average cost to purchase gas. The City’s Public Works Department, as the station’s operator, will subsequently develop a new rate schedule based on their operating costs of the CNG facility.

The changes proposed to the G-3 rate schedule are to correct the language describing the calculation of the commodity charge and do not represent any change to actual rates charged under the existing rate schedule.

At its November 3, 2010 meeting the UAC, and at its December 7, 2010 meeting the Finance Committee unanimously accepted staff’s recommendation.

BOARD/COMMISSION REVIEW AND RECOMMENDATIONS
The Finance Committee considered staff’s recommendation at its December 7, 2010 meeting. The Committee had a brief discussion about the difference between the two schedules and clarified that Schedule G-10 was only available to the CNG facility and was not an option for large commercial customers. The Committee voted unanimously
to recommend that the City Council adopt the resolution amending Gas Utility Rate Schedule G-10 (Compressed Natural Gas Service) and Gas Utility Rate Schedule G-3 (Large Commercial Gas Service). Draft notes from the Finance Committee’s December 7 2010 meeting are provided as Attachment F.

**RESOURCE IMPACT**
The change in pricing from a fixed annual price to a variable monthly price is not expected to have a significant impact on the Gas Utility’s net revenues. Due to the volatility that is inherent in market gas purchases the exact impact is difficult to quantify but due to the low level of sales at the CNG station, it is not expected to be significant.

**POLICY IMPLICATIONS**
This recommendation does not represent a change to current City policies.

**ENVIRONMENTAL REVIEW**
Adoption of this resolution does not meet the California Environmental Quality Act’s definition of a project, pursuant to California Public Resources Code Section 21065, therefore no environmental assessment is required.

**ATTACHMENTS:**
- Att A Resolution Amending Utility Rate Schedules G-10 and G3 (PDF)
- Att B CMR 429:10 - To Finance Committee - Amending Utility Rate Schedules G-10 and G-3 (PDF)
- Att C Gas Rate Schedule G-10 -redline version (DOC)
- Att D Gas Rate Schedule G-3 -redline version (DOC)
- Att E Excerpted Draft Minutes from the UAC Nov 3, 2010 meeting (DOCX)
- Att F Excerpted Draft Minutes form the Finance Committee Dec 7, 2010 meeting (DOC)

Prepared By: Ipek Connolly, Sr. Resource Planner

Department Head: Valerie Fong, Director

City Manager Approval: James Keene, City Manager
Resolution No.---
Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedules G-10 and G-3 of the City of Palo Alto Utilities Rates and Charges Pertaining to Gas Rates

The Council of the City of Palo Alto does RESOLVE as follows:

SECTION 1. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule G-10 (Compressed Natural Gas Service) is hereby amended to read in accordance with sheets G-10-1 and G-10-2, attached hereto and incorporated herein. The foregoing Utility Rate Schedule, as amended, shall become effective February 1, 2011.

SECTION 2. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule G-3 (Large Commercial Gas Service) is hereby amended to read in accordance with sheets G-3-1 and G-3-2, attached hereto and incorporated herein. The foregoing Utility Rate Schedule, as amended, shall become effective February 1, 2011.

SECTION 3. The Council finds that the revenue derived from the authorized adoption enumerated herein shall be used only for the purpose set forth in Article VII, Section 2, of the charter of the City of Palo Alto.

SECTION 4. The Council finds that the adoption of this resolution does not constitute a project under the California Environmental Quality Act, California Public Resources Code §21080, subdivision (b) (8).

INTRODUCED AND PASSED:
AYES:
NOES:
ABSENT:
ABSTENTIONS:
ATTEST:

__________________________  __________________________
City Clerk                Mayor

APPROVED AS TO FORM:

__________________________  __________________________
Sr. Assistant City Attorney City Manager

__________________________  __________________________
Director of Utilities  Director of Administrative Services

101118 dm 0073459
TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER
DEPARTMENT: UTILITIES
ATTENTION: FINANCE COMMITTEE
DATE: DECEMBER 7, 2010 CMR: 429:10
SUBJECT: Adoption of a Resolution Amending Utility Rate Schedules G-10 and G-3 of the City of Palo Alto Utilities Rates and Charges Pertaining to Gas Rates

REQUEST
The Utilities Advisory Commission (UAC) and staff recommend that the Finance Committee recommend that the City Council adopt changes to Gas Utility Rate Schedule G-10 (Compressed Natural Gas Service) and Gas Utility Rate Schedule G-3 (Large Commercial Gas Service) as attached. The rate schedules, if approved, would become effective February 1, 2011.

EXECUTIVE SUMMARY
The current G-10 schedule is open to all compressed natural gas (CNG) sales, potentially including members of the public. The proposed changes: 1) convert G-10 to a rate schedule only applicable to Utilities department sales of natural gas to the City’s CNG facility at the Municipal Service Center (MSC), operated by the Public Works department; and 2) base the G-10 commodity charge on market rates rather than the City’s average cost to purchase gas. The City’s Public Works Department, as the station’s operator, will subsequently develop a new rate schedule based on their operating costs of the CNG facility.

The changes proposed to the G-3 rate schedule are to correct the language describing the calculation of the commodity charge and do not represent any change to actual rates charged under the existing rate schedule.

At its November 3, 2010 meeting, the UAC unanimously accepted staff’s recommendation.

BACKGROUND
The City of Palo Alto’s Compressed Natural Gas fueling station was put into operation in 1997, with the first rate schedule for Compressed Natural Gas Service (G-10) becoming effective April 1, 1997 (CMR 150:97). The project was intended both to improve air quality and to promote the use of natural gas in vehicles. The Gas Utility Fund provided the capital funds to complete the project. The Public Works Department operates and maintains the high-pressure, high-volume natural gas compressor and fueling station.

In addition to fueling the City’s fleet of natural gas vehicles, the Palo Alto Unified School District and the Ravenswood School District were allowed to fuel their buses under the existing fuel permit. No other customers were allowed to fuel at the CNG station.
With the improvement and expansion of the CNG facility starting in 2006 (CMR 263:06), the new direction for this facility is to offer CNG to members of the public who own natural gas-fueled vehicles. As such, a change to the pricing method used and a clarification to the applicability of the G-10 rate schedule are required at this time.

**DISCUSSION**

**Applicability**
The current schedule is technically open for “the sale of compressed natural gas (CNG) at the City-owned natural gas fueling stations to customer (sic) who use CNG for fueling CNG vehicles.” In practice, the only customers able to utilize this facility have been City of Palo Alto vehicles and buses operated by the Palo Alto Unified and Ravenswood School Districts.

UAC and staff recommend changing the applicability to be ‘the sale of natural gas to the City-owned compressed natural gas (CNG) fueling station.’ The purpose of the G-10 schedule should be to sell gas to the CNG station at the MSC as a customer of the Utilities Department. Pricing of compressed natural gas to the public should be determined based on operating costs as determined by the station’s operator, the Public Works Department. A new rate schedule will be developed by the City’s Public Works Department accordingly.

**Pricing**
The Gas Fund’s existing rate schedule for CNG service is an average rate based on the City’s cost to purchase gas, computed annually during the budget process. This method had the advantage of providing Public Works with a stable rate for computing fleet related fueling costs for budgeting purposes.

While stable prices are desirable, as a public facility open to both internal and transient customers, staff recommends that the pricing be more aligned with market costs similar to a commercial service station. Therefore, instead of an average rate computed annually, the revised schedule will determine charges based on the same method currently utilized by large commercial gas customers under rate schedule G-3. The proposed commodity charge for the G-10 rate would be equal to the monthly natural gas bidweek price index for delivery at PG&E Citygate, accounting for delivery losses to the customer’s meter. The commodity charge would only be allowed to fluctuate within the minimum/maximum range currently approved by Council similar to the G-3 rate ($0.10 to $2.00 per therm).

Staff also recommends that the revised G-10 rate schedule exclude the local distribution charge that is included in the G-3 rate schedule. The reason for this exclusion is that natural gas is delivered directly to the fueling station over the PG&E system and does not utilize the local distribution system. However, there will be a nominal monthly customer charge component of the revised G-10 rate schedule, consistent with all other utility rate schedules, representing costs associated with billing and account management.

Staff has discovered an incorrect statement on the existing G-3 Rate Schedule in the language describing the calculation of the applicable commodity charges and recommends edits to the G-3 Rate Schedule. These edits, shown in Attachment C, clarify that the commodity charge is based on the monthly natural gas bidweek price index for delivery at PG&E Citygate. These
recommended revisions do not represent any change to actual rates charged under the existing rate schedule.

BOARD/COMMISSION REVIEW AND RECOMMENDATIONS
The UAC considered staff's recommendation at its November 3, 2010 meeting. The Commission discussed the range included in the G-10 rate and clarified that the large range is given to allow for the range in gas market prices that will be passed through in the rate, as it is in the G-3 rate. The Commission also discussed the involvement of two departments in setting the retail rate for CNG sales at the MSC.

The commission voted unanimously to recommend that the City Council adopt staff's recommended changes to the Gas Utility Rate Schedule G-10 (Compressed Natural Gas Service) and Gas Utility Rate Schedule G-3 (Large Commercial Gas Service). Draft notes from the UAC's November 3, 2010 meeting are provided as Attachment D.

RESOURCE IMPACT
The change in pricing from a fixed annual price to a variable monthly price is not expected to have a significant impact on the Gas Utility's net revenues. Due to the volatility that is inherent in market gas purchases the exact impact is difficult to quantify but due to the low level of sales at the CNG station, it is not expected to be significant.

POLICY IMPLICATIONS
This recommendation does not represent a change to current City policies.

ENVIRONMENTAL REVIEW
Adoption of this resolution does not meet the California Environmental Quality Act's definition of a project, pursuant to California Public Resources Code Section 21065, therefore no environmental assessment is required.

ATTACHMENTS
A. Resolution Amending Utility Rate Schedules G-10 And G-3
B. Gas Rate Schedule G-10
C. Gas Rate Schedule G-3
D. Excerpted Draft Minutes from the UAC November 3, 2010 meeting

PREPARED BY: IPEK CONNOLLY Sr. Resource Planner

REVIEWED BY: DEBRA LLOYD Acting Assistant Director, Resource Management

DEPARTMENT APPROVAL: VALERIE O. FONG Director of Utilities

CITY MANAGER APPROVAL: JAMES KEENE City Manager
Resolution No. ___

Resolution of the Council of the City of Palo Alto Amending Utility Rate Schedules G-10 and G-3 of the City of Palo Alto Utilities Rates and Charges Pertaining to Gas Rates

The Council of the City of Palo Alto does RESOLVE as follows:

SECTION 1. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule G-10 (Compressed Natural Gas Service) is hereby amended to read in accordance with sheets G-10-1 and G-10-2, attached hereto and incorporated herein. The foregoing Utility Rate Schedule, as amended, shall become effective February 1, 2011.

SECTION 2. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule G-3 (Large Commercial Gas Service) is hereby amended to read in accordance with sheets G-3-1 and G-3-2, attached hereto and incorporated herein. The foregoing Utility Rate Schedule, as amended, shall become effective February 1, 2011.

SECTION 3. The Council finds that the revenue derived from the authorized adoption enumerated herein shall be used only for the purpose set forth in Article VII, Section 2, of the charter of the City of Palo Alto.

SECTION 4. The Council finds that the adoption of this resolution does not constitute a project under the California Environmental Quality Act, California Public Resources Code §21080, subdivision (b) (8).

INTRODUCED AND PASSED:
AYES:
NOES:
ABSENT:
ABSTENTIONS:
ATTEST:

______________________  ______________________
City Clerk                                             Mayor

APPROVED AS TO FORM:

______________________  ______________________
Sr. Assistant City Attorney                             City Manager

______________________  ______________________
Director of Utilities                                   Director of Administrative Services
COMPRESSED NATURAL GAS SERVICE

UTILITY RATE SCHEDULE G-10

A. APPLICABILITY:

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

B. TERRITORY:

Applies to locations within the service area of the Municipal Service Center in City of Palo Alto.

C. RATES:

<table>
<thead>
<tr>
<th>Service</th>
<th>Per Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Customer Charge:</td>
<td>$55.25</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Per Therm Charges (To be added to Customer Charge)</th>
<th>Per Therm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodity Charge (Monthly Market Based)</td>
<td>$0.10-$2.00</td>
</tr>
<tr>
<td>Administrative Fee</td>
<td>$0.0227</td>
</tr>
<tr>
<td>PG&amp;E Local Transportation</td>
<td>$0.0212</td>
</tr>
</tbody>
</table>

| Commodity Charge | $1.08 |
| Gallon Equivalent | $1.25 |

For billing purposes, the number of gallons will be compiled 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).

2. The actual bill amount is calculated based on the applicable rates in Section C above and adjusted.

CITY OF PALO ALTO UTILITIES
Issued by the City Council

Supersedes Sheet No. G-10-1 dated 7-1-2008

Effective 7-1-2009
Sheet No. G-10-11
for any applicable discounts, surcharges and/or taxes. On a customer’s bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

(A) Commodity Charges

The commodity charge is based on the monthly natural gas bidweek price index for delivery at PG&E Citygate, accounting for delivery losses to the customer’s meter. The commodity charge will fall within the minimum/maximum range set forth in Section C. 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 Section C and include the cost of transporting the gas to the PG&E City Gate.

(B) Administrative fee

The Administrative fee is equal to the allocable administrative and overhead costs incurred by the City in providing the gas service.

(C) PG&E Local Transportation

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.

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}
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:**

This schedule applies anywhere the City of Palo Alto provides natural gas service.

C. **UNBUNDLED RATES:**

<table>
<thead>
<tr>
<th>Service</th>
<th>Monthly Customer Charge:</th>
<th>$311.00</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Commodity Rate: (To be added to Customer Charge)</td>
<td></td>
</tr>
<tr>
<td>Supply Charges:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Commodity Charge (Monthly Market Based)</td>
<td>$0.10-$2.00</td>
<td></td>
</tr>
<tr>
<td>2. Administrative Fee</td>
<td>$0.0227</td>
<td></td>
</tr>
<tr>
<td>3. PG&amp;E Local Transportation</td>
<td>$0.0212</td>
<td></td>
</tr>
<tr>
<td>Distribution Charge:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Palo Alto Local Distribution</td>
<td>$0.2884</td>
<td></td>
</tr>
</tbody>
</table>

D. **SPECIAL NOTES:**

1. **Calculation of Cost Components**

The actual bill amount is calculated based on the applicable rates in Section C above and adjusted for any applicable discounts, surcharges and/or taxes. On a customer’s bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.
LARGE COMMERCIAL GAS SERVICE

UTILITY RATE SCHEDULE G-3

(A) Commodity Charges

The commodity charge is based on the monthly natural gas bidweek price index for delivery at PG&E Citygate, accounting for delivery losses to the customer’s meter. 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 Section C, and include the cost of transporting the gas to the PG&E City Gate.

(B) Administrative fee

The Administrative fee is equal to the allocable administrative and overhead costs incurred by the City in providing the gas service.

(C) PG&E Local Transportation

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.

2. Special Conditions

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.

3. Request for Service

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.

4. Changing Rate Schedules

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
LARGE COMMERCIAL GAS SERVICE

UTILITY RATE SCHEDULE G-3

Direct Access at any time.

{End}
ITEM 2: ACTION: Proposed Change to Compressed Natural Gas Rate Schedule G-10 and G-3 Effective February 1, 2010

Senior Resource Planner Ipek Connolly was present to take questions from the Commissioners.

Commissioner Keller asked for an explanation of the range of $0.10 to $2.00/therm for the commodity charge in Rate Schedule G-10. Connolly explained that the range is given to cover the large range of potential future gas market prices that are passed through to the customer.

Commissioner Melton questioned the need to involve two departments in setting a rate for the public. Director Fong explained that Public Works department is the owner/operator of the Compressed Natural Gas (CNG) facility, and the Utilities Department charge is to ensure that the CNG facility has natural gas and that the Utility Department recovers the costs of the natural gas.

Commissioner Cook expressed concern that the requirement for training sessions to be certified to fuel a vehicle was removed from the revised G-10 rate schedule. Connolly explained that it was removed because it does not belong with the rate schedule.

ACTION: Commissioner Melton made a motion to recommend Council approval of the changed rate schedules. Commissioner Cook seconded the motion. The motion carried unanimously (7-0).
A. APPLICABILITY:

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

B. TERRITORY:

Applies to locations within location at the service area of the Municipal Service Center in City of Palo Alto.

C. RATES:

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<tr>
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<td>$0.10-$2.00</td>
<td></td>
</tr>
</tbody>
</table>

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

Administrative Fee .................................................................$0.0227
PG&E Local Transportation .......................................................$0.0212

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). The actual bill amount is calculated based on the applicable rates in Section C above and adjusted for any applicable discounts, surcharges and/or taxes.
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.

(A) Commodity Charges

The commodity charge is based on the monthly natural gas bidweek price index for delivery at PG&E Citygate, accounting for delivery losses to the customer’s meter. The commodity charge will fall within the minimum/maximum range set forth in Section C.

(B) Administrative fee

The Administrative fee is equal to the allocable administrative and overhead costs incurred by the City in providing the gas service.

(C) PG&E Local Transportation

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.

{End}
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:

This schedule applies anywhere the City of Palo Alto provides natural gas service.

C. UNBUNDLED RATES:

Monthly Customer Charge: $311.00

Commodity Rate: (To be added to Customer Charge)

Supply Charges:
1. Commodity Charge (Monthly Market Based).................................$0.10-$2.00
2. Administrative Fee ........................................................................$0.0227
3. PG&E Local Transportation ..........................................................$0.0212

Distribution Charge:
1. Palo Alto Local Distribution...........................................................$0.2884

D. SPECIAL NOTES:

1. Calculation of Cost Components

The actual bill amount is calculated based on the applicable rates in Section C above and adjusted for any applicable discounts, surcharges and/or taxes. On a customer’s bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

(A) Commodity Charges
LARGE COMMERCIAL GAS SERVICE

UTILITY RATE SCHEDULE G-3

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 is based on the monthly natural gas bidweek price index for delivery at PG&E Citygate, accounting for delivery losses to the customer’s meter. The commodity charge will fall within the minimum/maximum range set forth in Section C and include the cost of transporting the gas to the PG&E City Gate.

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The Administrative fee is equal to the allocable administrative and overhead costs incurred by the City in providing the gas service.

(C) PG&E Local Transportation

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.

2. Special Conditions

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.

3. Request for Service

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.

4. Changing Rate Schedules

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}
ITEM 2: ACTION: Proposed Change to Compressed Natural Gas Rate Schedule G-10 and G-3 Effective February 1, 2010

Senior Resource Planner Ipek Connolly was present to take questions from the Commissioners.

Commissioner Keller asked for an explanation of the range of $0.10 to $2.00/therm for the commodity charge in Rate Schedule G-10. Connolly explained that the range is given to cover the large range of potential future gas market prices that are passed through to the customer.

Commissioner Melton questioned the need to involve two departments in setting a rate for the public. Director Fong explained that Public Works department is the owner/operator of the Compressed Natural Gas (CNG) facility, and the Utilities Department charge is to ensure that the CNG facility has natural gas and that the Utility Department recovers the costs of the natural gas.

Commissioner Cook expressed concern that the requirement for training sessions to be certified to fuel a vehicle was removed from the revised G-10 rate schedule. Connolly explained that it was removed because it does not belong with the rate schedule.

ACTION: Commissioner Melton made a motion to recommend Council approval of the changed rate schedules. Commissioner Cook seconded the motion. The motion carried unanimously (7-0).
ITEM 2: ACTION: Adoption of a Resolution Adopting Changes to Utility Rate Schedules G-10 and G-3 of the City of Palo Alto Utilities Rates and Changes Pertaining to Gas Rates

Valerie Fong, Utilities Director said that there was no formal presentation but that she and Ipek Connolly, Senior Resource Planner, were both available to answer any questions the Committee may have.

Chair Schmid asked if the rate schedule was for both the City itself and private customers.

Ipek Connolly, Senior Resource Planner said it was not. It was a change from a retail rate schedule to one applicable to sales from the Utilities Department to the Public Works Department.

Ms. Fong said there was one compressed gas facility at the Municipal Service Center used by various City crews. Palo Alto Unified School District also has access to it. Public Works is the purchaser and passes on the retail rate to the users.

Chair Schmid said that a citizen had reminded him that the City said they would open the facility up to public use.

Ms. Fong said Public Works Staff would be better qualified to that question.

Chair Schmid said there were two rates, G10 & G3. He asked what the difference was to the customers.

Ms. Connolly said G3 was the custom rate for large customers. The G3 rate schedule was coming forward because the commodity cost definition has a slight incorrect statement. This was a language correction, otherwise no change.

Chair Schmid asked why a customer would use the G3 schedule instead of the G10 schedule.

Ms. Connolly said they are large customers. G10 was for Compressed Natural Gas.

Ms. Fong said larger more sophisticated customers are usually G-3.

MOTION: Council Member Scharff moved, seconded by Espinosa, that the Finance Committee adopt a Resolution amending the Utilities Rate Schedules G10 and G3 of the City of Palo Alto Utilities rates and charges pertaining to gas rates.

MOTION PASSED: 3-0, Klein absent.