MEMORANDUM

2

TO: UTILITIES ADVISORY COMMISSION

FROM: UTILITIES DEPARTMENT

DATE: May 1, 2019

SUBJECT: Staff Recommendation that the Utilities Advisory Commission Recommend that the City Council Adopt: 1) a Resolution Approving the Fiscal Year 2020 Gas Utility Financial Plan; and 2) a Resolution Increasing Gas Rates by Amending Rate Schedules G-1 (Residential Gas Service), G-2 (Residential Master-Metered and Commercial Gas Service), G-3 (Large Commercial Gas Service), and G-10 (Compressed Natural Gas Service)

RECOMMENDATION

Staff requests that the Utilities Advisory Commission (UAC) recommend that the Council:

1. Adopt a resolution (Attachment A) approving the fiscal year (FY) 2020 Gas Utility Financial Plan (Attachment B) and reserve transfers; and
2. Adopt a resolution (Attachment C) increasing gas rates by amending Rate Schedules G-1 (Residential Gas Service), G-2 (Residential Master-Metered and Commercial Gas Service), G-3 (Large Commercial Gas Service), and G-10 (Compressed Natural Gas Service) (Attachment D).

EXECUTIVE SUMMARY

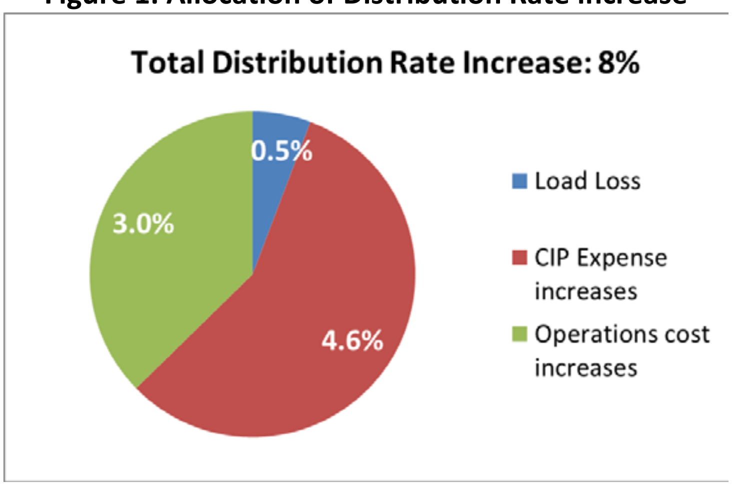
The FY 2020 Gas Utility Financial Plan includes projections of the utility's costs and revenues for FY 2020 through FY 2024. Gas utility costs are made up of supply-related costs (35 percent of costs) and distribution-related costs (65 percent of costs). Supply-related costs (and customer rates) vary monthly with the gas markets, but customer rates for gas distribution are evaluated annually and set by Council action like other utility rates. Gas rates related to distribution costs were last increased by 6 percent on July 1, 2018. The proposed FY 2020 Gas Utility Financial Plan includes an 8 percent increase in distribution rates on July 1, 2019. Because distribution accounts for only 65 percent of the average customer's bill, this is projected to increase system rate revenues (and billings) by approximately 5 percent overall. Further distribution increases of 5 to 12 percent are projected over the following four years (with a 4 to 8 percent increase in overall gas rates).

In addition, the plan proposes transfers to the Operations Reserve of $6.3 million from the Rate Stabilization Reserve and $6 million to the CIP Reserve from the Operations Reserve, to ensure that there are appropriate financial reserves for contingencies. The Rate Stabilization Reserve is projected to be zero by the end of FY 2020.

With the completion of the *2019 Natural Gas Cost of Service and Rates Study,* staff and the consultants have identified a realignment in cost allocations required for the gas customer rate classes. While the distribution rate increase across all customer classes is proposed to be 8 percent, the residential (G1) class will see a larger increase of 13.25 percent, while the commercial classes (G2 and G3) will see between a 2. 87 and 5.07 percent increase respectively, as detailed below. These correspond to an overall rate increase (including supply) of 8.1 percent for residential and of 3.0 and 1.5 percent for the two commercial classes. These cost shifts between customer classes are a result of increased fixed costs, declining customer usage and shifts to how customers use the gas system.

Figure 1 below shows the primary drivers for the proposed rate change: first, Capital Improvement (CIP) costs are increasing, followed by increases in Operations expenses, and finally, a portion of the increase can also be attributed to an anticipated decrease in usage, which is consistent with long term trends. These increases will be discussed in greater depth below:

Figure 1: Allocation of Distribution Rate increase



Supply-related costs (the cost of the natural gas itself, gas transmission, and gas environmental charges) are the most volatile component of the Gas Utility's expenses, and recent gas market spikes and proposed transmission rate hikes have led staff to project supply cost increases of around 4 percent annually for the forecast horizon. Market prices, however, are monitored from month to month and automatically incorporated into monthly supply rate adjustments. Therefore, it is not possible to exactly predict what supply rates will be during the planning horizon. However, if staff's forecast holds, it would result in a further 1 to 2 percent increase to customer bills. Where overall rate increases (supply plus distribution) are referenced in this report, the figures do not attempt to predict or include any supply rate increase that will occur as a result of the monthly supply rate adjustments.

BACKGROUND

Every year staff presents the UAC with Financial Plans for its Electric, Water, Gas, and Wastewater Collection Utilities and recommends any rate adjustments required to maintain their financial health. These Financial Plans include a comprehensive overview of the utility's operations, both retrospective and prospective, and are intended to be a reference for UAC and Council members as they review the budget and staff's rate recommendations. Each Financial Plan also contains a set of Reserves Management Practices describing the reserves for each utility and the management practices for those reserves.

The City's gas is purchased from a variety of marketers who source gas from throughout the Western United States. The City then pays Pacific Gas and Electric (PG&E) to transmit that gas across its gas transmission system to Palo Alto, and the gas is then delivered to customers through the system of gas mains and services that make up the City's gas distribution system.

The Gas Utility's costs can be divided into two main categories: gas supply costs (which includes the cost of the gas itself, the cost of transmitting the gas to Palo Alto, and environmental costs[1]) and the costs of running the enterprise and operating the distribution system. As noted, gas supply costs vary with the market, and the costs are passed through to customers through a gas supply rate component that varies monthly.

The UAC reviewed preliminary financial forecasts at its February 6, 2019 meeting. At that meeting, staff projected a 15% distribution rate increase (or a 10% overall gas rate increase). After revising its schedule for gas utility capital investment, staff has revised that projection downward.

DISCUSSION

Staff's annual assessment of the financial position of the City's gas utility is completed to ensure adequate revenue to fund operations and to document that the City's rates do not exceed the level permitted under California Constitution (Proposition 26). The assessment includes making long-term projections of market conditions, of costs associated with the physical condition of infrastructure, and of other factors that could affect utility costs. Rates are then proposed that will be adequate to recover projected costs.

Proposed Actions for FY 2020

The FY 2020 Gas Utility Financial Plan includes the following proposed actions:

1. Amend gas rate schedules (see Attachment D) to increase distribution rates by approximately 8 percent (a 5 percent increase on overall rates).

[1] This is primarily the cost of complying with the State's Cap and Trade system and procuring offsets under the City's Carbon Neutral Gas program.

2. Transfer up to $6.3 million from the Rate Stabilization Reserve (RSR) to the Operations Reserve, and up to $6 million from the Operations Reserve to the CIP Reserve.

The reserve transfers will enable staff to both maintain sufficient funds in the Gas Operations Reserve while providing funds for CIP projects which will be occurring every other year, as discussed below. These proposed actions are described in more detail in the FY 2020 Gas Financial Plan (Attachment B).

<u>Proposed Gas Rates and Cost of Service Update</u>
The Gas Utility's rates are evaluated and implemented in compliance with cost of service requirements. The Gas Utility's proposed rates are based on the methodology from the draft April *2019 Natural Gas Cost of Service and Rates Study.* The final study will be included as part of the Staff Report going to either the Finance Committee or Council. The methodology used was similar to the prior study performed in April 2012 by Utility Financial Solutions[2], utilizing the average and excess method for allocating costs, and updated to reflect current infrastructure asset values, annual utility costs, and some changes in consumption patterns between customer classes seen in the post drought era. Because the majority of gas costs are fixed, the consultant recommended (and staff accepted) shifting a share of costs currently included in the volumetric (per them) rate over to the base (per account per month) rates. This increases base rates by 22 percent (for G-1), 26.6% (for G-2) and 72.6% (for G-3), while creating savings in the volumetric rates. The study was performed in conformance with the scope previously discussed with the Utilities Advisory Commission in October 2016, and the Council in November 2016[3].

The COSA estimates a net distribution revenue requirement of $24,098,000 for FY 2020. It further estimates that the existing rates would generate $22,313,072 in distribution revenues for FY 2020. An 8 percent increase in distribution rates is necessary to recover this deficiency.

Figure 2: Cost of Service Summary

Summary of Cost of Service Analysis for FY 2020 Test Year					
	Projected FY 2020 Revenues under Current Rates	Net Distribution Revenue Requirement	Projected Deficiency in FY 2020 Revenue Based on Current Rates	Revenue Increase needed for Distribution Charges	Increase for Combined Commodity and Distribution Charges
G1 – Residential	$8,928,944	$10,111,795	$1,182,850	13.25%	8.1%
G2 - Small Commercial	$9,921,058	$10,423,850	$502,792	5.07%	3.0%
G3 – Large Commercial	$3,463,070	$3,562,355	$99,286	2.87%	1.5%
TOTAL	$22,313,072	$24,098,000	$1,784,928	8.0%	4.7%

[2] Staff Report 2812, 5/17/ 2012 http://archive.cityofpaloalto.org/civica/filebank/blobdload.asp?BlobID=31395
[3] Staff Report 7416 11/14/2016 http://www.cityofpaloalto.org/civicax/filebank/documents/54576

Figure 2 above outlines how these revenue requirements and distribution charges are allocated amongst the three gas customer classes.

The updated COSA allocates $10,111,795 of the net distribution revenue requirement to the Residential (G1) customer class. This is 42 percent of the total net distribution revenue requirement; a similar percentage to that found in the 2012 COSA. Under the current rate structure, however, G1 customers would provide only about 40 percent of overall distribution rate revenue. This is because energy consumption per G1 customer has decreased by roughly 10 percent since the 2012 COSA, while fixed costs allocated to the customer class have not decreased at the same rate. Resetting G1 distribution revenues to comprise 42 percent of systemwide distribution revenues requires that G1 distribution revenues be increased by 13.25 percent.

For Small Commercial (G2) customers, per customer usage has also decreased by roughly 10 percent, but because of the higher usage of G2 customers their fixed costs are a smaller share of total costs, and the increase in the per-unit cost for the class is smaller than for the Residential class. The Large Commercial (G3) group has seen a growth in the relative number of customers from the prior study, and has both the highest use per customer and the highest load factor, resulting in a lower average cost than the G1 and G2 groups.

The growth in the costs has also had an impact to the cost of service by class. Compared to the 2012 COSA, costs related to Customer Service, Accounts and Sales have increased by about 30 percent, compared with 36 percent for O&M and under 30 percent for other cost components. An increase in Customer Service-related costs shifts more costs to the residential class because it has a higher number of customers. It also leads to higher customer charges for all three of the classes.

Staff proposes to adjust gas rates as shown in Table 1 and Table 2 below, effective July 1, 2019. These changes, are projected to increase the system average gas rate (total of supply and distribution) by roughly 5 percent and residential rates by 8 percent. These rate changes are included in the proposed amended rate schedules in Attachment D.

Table 1: Current and Proposed Monthly Service Charges

Rate Schedule	Monthly Service Charge ($/month)		Change	
	Current (as of 7/1/18)	Proposed for FY 2020	($)	(%)
G-1 (Residential)	$10.94	$13.35	$2.41	22.0%
G-2 (Small Commercial)	82.92	104.95	22.03	26.6%
G-3 (Large Commercial)	400.08	690.45	290.37	72.6%
G-10 (CNG)	56.11	70.98	14.87	26.5%

Table 2: Current and Proposed Gas Distribution Charges

			Change	
	Current (as of 7/1/18)	Proposed for FY 2020	($)	(%)
G-1 (Residential)				
Tier 1 Rates	$0.4239	$0.4835	$0.0596	14.1%
Tier 2 Rates	0.9948	1.0426	0.0478	4.8%
G-2 (Residential Master-Metered and Small Commercial)				
Uniform Rate	0.6183	0.6102	(0.0081)	(1.3%)
G-3 (Large Commercial)				
Uniform Rate	0.6098	0.6056	(0.0420)	(0.7%)

Bill Impact of Proposed Rate Changes

Table 3 shows the impact of the proposed July 1, 2019 rate changes on various levels of residential bills. The average increase for the residential class is roughly 8 percent based on last year's commodity prices, but some customers may see slightly higher or lower increases due to slight changes in the composition of the utility's costs, as well as prevailing market prices in the months displayed.

Table 3: Impact of Proposed Gas Rate Changes on Residential Bills

Usage (Therms/month)	Bill under Current Rates	Bill under Proposed Rates	Change	
			$/mo.	%
Winter (Using December 2018 commodity prices)				
30	$ 48.38	$ 52.58	$ 4.20	8.7%
54 (median)	78.33	83.96	5.63	7.2%
80	122.19	129.14	6.94	5.7%
150	249.51	259.80	10.29	4.1%
Summer (Using July 2018 commodity prices)				
10	$ 20.04	$ 23.05	$ 3.01	15.0%
18 (median)	27.32	30.81	3.48	12.7%
30	43.96	48.04	4.08	9.3%
45	66.17	70.97	4.80	7.2%

Table 4 shows the impact of the proposed July 1, 2019 rate changes on various representative commercial customer bills.

Table 4: Impact of Proposed Gas Rate Changes on Commercial Bills
(Using December 2018 commodity prices)

Usage (Therms/month)	Bill under Current Rates	Bill under Proposed Rates	Change %
500	804	822	2.2%
5,000	7,295	7,276	(0.3%)
10,000	14,506	14,447	(0.4%)
50,000	72,092	72,172	0.1%

FY 2020 Financial Plan's Projected Rate Adjustments for the Next Five Fiscal Years
Table shows the projected rate adjustments over the next five years and their impact on the annual median residential gas bill.

Table 5: Projected Rate Adjustments, FY 2020 to FY 2024

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Gas Utility	8%	8%	8%	6%	4%
Estimated Bill Impact ($/mo)*	$4.38	$3.72	$4.02	$3.25	$2.30
** estimated impact on median residential gas bill, which is currently $42.12 for CY 2018.*					

One of the main drivers for the increase in the Gas Utility's short-run costs (and therefore rates) over the next several years are increases in capital improvement costs to maintain a safe and reliable system. In FY 2014, FY 2015 and FY 2017, costs for the gas utility were unusually low as new main replacements were not planned. The gas, water and wastewater utilities generally try to perform a main replacement annually in each utility, but in the gas utility beginning new projects was not feasible in those years. In FY 2014 and FY 2015, this was due to the fact that staff was completing a prior major gas main replacement project, the largest in utility history, which completed replacement of all ABS gas mains in Palo Alto. Then, FY 2017 included replacements of gas mains on University Avenue, a project that has evolved into the Upgrade Downtown project involving a coordinated replacement of several different types of infrastructure to avoid multiple disruptions to the business district. This has been a multi-year planning effort that did not allow for design of other new projects. This allowed the Gas Utility to temporarily keep rates lower than they would typically have been needed to be to fund future operations and capital replacement. These future capital replacement costs will be higher, as well. As the emphasis on infrastructure improvement has taken hold both regionally and nationally, contractor bids for new projects have risen greatly from where they were during the last recession.

This current financial plan works to address these challenges in a way that will allow the City of Palo Alto Utilities (CPAU) to meet its gas main replacement (GMR) needs. The next focus of the

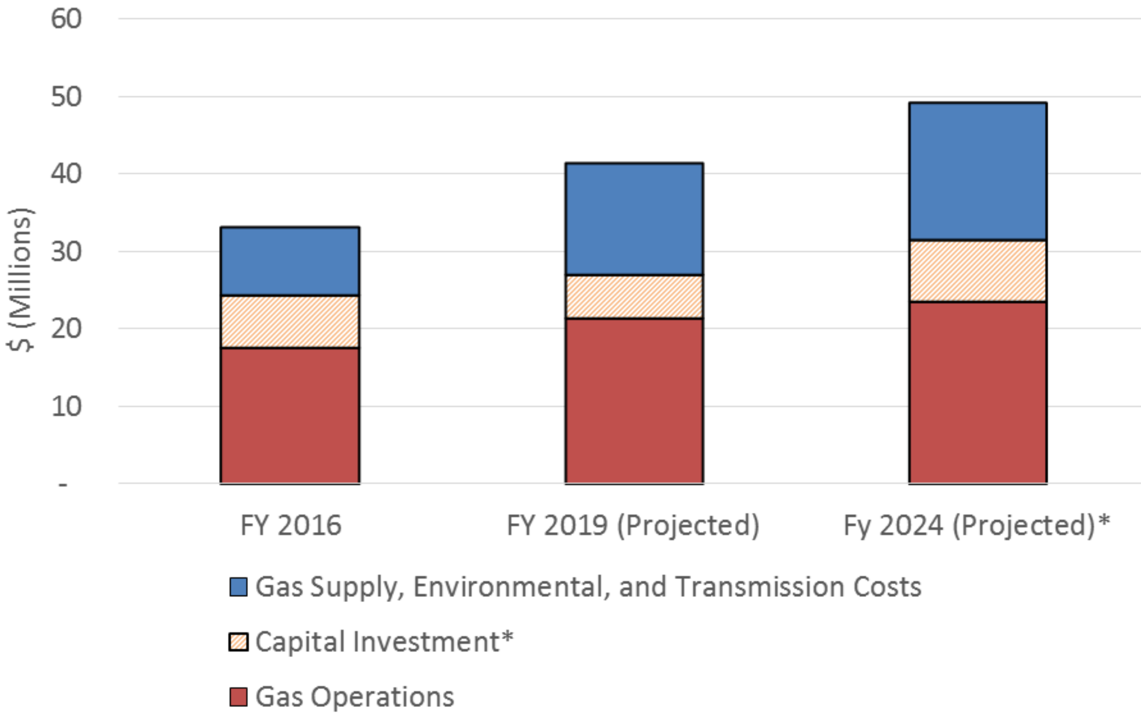
GMR program will be the replacement of all Polyvinyl Chloride (PVC) mains with Polyethylene (PE) mains. CPAU installed PVC pipes from the early 1970s to mid-1980s. Some of the City's PVC pipe is approaching 50 years of service, and according to industry data, PVC pipes have a much higher leakage rate than PE mains after 20 years of service due to potential disbondment of fittings and joints. This financial plan includes approximately $11 million every other year for main replacement construction instead of $6.5 million annually, starting in FY 2021. This shift to larger main replacement construction projects every other year will slightly lengthen the amount of time needed to replace all PVC pipes in the system, but will attract more contractors to bid on the larger projects. Additionally, this main replacement project schedule for gas will be staggered with water and wastewater (water and wastewater construction every even year and gas construction every odd year), which will ease scheduling difficulties for inspection coverage due to shared inspection staff across water, wastewater, gas, and large development services projects. This arrangement is likely to be a short-term solution (3-5 years) until project capacity can be increased and upward pressure on utility rates has eased.

Because of this staggered CIP approach, and from a budgeting standpoint, there will be a pattern of revenues being higher than cost one year and lower the next. To avoid a 'sawtooth' pattern in reserves because of this, the funds which would otherwise have gone to pay for CIP expenditures in the even year will be placed in the CIP reserve, to be used in the following year when the CIP expense occurs. Therefore, staff is requesting a $6 million transfer from the Operations Reserve to the CIP reserve in FY 2020.

Over the longer term, gas commodity costs are the most variable factor in customer gas bills, being subject to market forces, and are currently projected to grow by about 4 percent per year. Increases to Operations costs are projected to be 3 to 4 percent annually, although there is a near term increase in cost to pay for phase two of a cross-bore safety verification program. During trenchless installation, a natural gas pipeline can cross through a segment of lateral via boring. The project will be to video inspect, determine and repair any unintended conflicts between natural gas service pipelines and sanitary sewer laterals. Phase two of this program is estimated to require $1 million per year for the next three years.

Figures 1 below illustrates the projected long run changes in the Gas Utility's costs. Cost increases over the FY 2016 to FY 2024 time period are mainly from Commodity costs, followed by Operations and Capital.

Figure 1: FY 2016, FY 2019 and FY 2024 costs



* Note that FY 2024 Capital Investment cost is displayed as an average of two years cost, as FY 2023 has an $11 million main replacement project while FY 2024 does not.

Gas usage was trending downward over the last several years, most likely due to relatively warm winter heating seasons, as well as lower hot water usage during the drought, but a cooler winter and the end of drought restrictions has brought increased usage. Gas usage has nearly recovered to levels seen back in 2013, but as with water, it is difficult to determine whether or when long run usage will resume the declining trend seen over the last few decades.

Changes from Preliminary Financial Forecast

After presenting the preliminary financial forecast to the UAC on February 6, 2019, staff update its CIP plan as described above, based upon both projected system needs and current staffing capacity. The impact on rates was that the preliminary projection of a 15 percent distribution rate increase for FY 2020 (a 10 percent overall bill impact) was reduced to 8 percent (a 5 percent overall bill impact).

Gas Bill Comparison with Surrounding Cities

Table 6 presents winter and summer residential bills for Palo Alto and PG&E at several usage levels for commodity rates in effect as of July 2018 (to illustrate a summer month bill) and February 2019 (to illustrate a winter month bill). The annual gas bill for the median residential customer for calendar year 2018 was $469.94, about 14 percent lower than the annual bill for a PG&E customer with the same consumption. PG&E's distribution rates for gas have increased substantially to collect for needed system improvements for pipeline safety and maintenance.

The bill calculations for PG&E customers are based on PG&E Climate Zone X, an area which includes the surrounding communities.

Table 6: Residential Monthly Natural Gas Bill Comparison ($/month)

Season	Usage (therms)	Palo Alto	PG&E Zone X	% Difference
Winter (February 2019)	30	39.55	46.31	-14.6%
	(Median) 54	62,43	83.49	-25.2%
	80	100.93	139.13	-27.5%
	150	207.64	288.94	-28.1%
Summer (July 2018)	10	$ 20.04	12.48	63.4%
	(Median) 18	27.32	24.56	13.8%
	30	43.96	46.26	-3.6%
	45	66.17	73.38	-8.3%

Table 7 shows the monthly gas bills for commercial customers for various usage levels for rates in effect as of February 2019. Bills for CPAU customers at the usage levels shown are around 3 percent lower to 12 percent higher for commercial customers than for PG&E customers. This is a substantial improvement over the calendar year 2013 bill comparison, when commercial gas bills for CPAU customers were 27 to 44 percent higher than for PG&E customers. This is primarily attributable to PG&E's increased distribution rates as the commodity rates for CPAU and PG&E are very similar, both being based on spot market gas prices.

Table 7: Commercial Monthly Average Gas Bill Comparison (for Rates in Effect February 2018)

Usage (therms/mo)	Gas Bill ($/month)		% Difference
	Palo Alto	PG&E	
500	657	681	-3%
5,000	5,823	6,257	-1%
10,000	11,563	11,139	4%
50,000	57,374	51,414	12%

NEXT STEPS

The Finance Committee is scheduled to review the FY 2020 Gas Financial Plan in May 2019. The City Council will consider adopting the Financial Plan and rate amendments as part of the FY 2020 budget review and adoption process. If Council approves the proposed rate changes, they will become effective July 1, 2019.

RESOURCE IMPACT

Normal year sales revenues for the Gas Utility are projected to increase by roughly 4 percent ($1.2 million) as a result of the proposed rate increases, not including fluctuations in commodity revenue/cost. The FY 2020 Budget is being developed concurrent with these rates and, depending on the final rates, adjustments to the budget may be necessary at a later time.

and, depending on the final rates, adjustments to the budget may be necessary at a later time. See the attached FY 2020 Gas Financial Plan for a more comprehensive overview of projected cost and revenue changes for the next five years.

POLICY IMPLICATIONS

The proposed gas rate adjustments are consistent with Council-adopted Reserve Management Practices that are part of the Financial Plan, and were developed using a cost of service study and methodology consistent with industry-accepted cost of service principles.

ENVIRONMENTAL REVIEW

The UAC's review and recommendation to Council on the FY 2020 Gas Financial Plan and rate adjustments does not meet the California Environmental Quality Act's definition of a project, pursuant to Public Resources Code Section 21065, thus no environmental review is required.

ATTACHMENTS

A. Resolution of the Council of the City of Palo Alto Approving the FY 2020 Gas Utility Financial Plan and Proposed Transfers
B. Proposed FY 2020 Gas Utility Financial Plan
C. Resolution of the Council of the City of Palo Alto Adopting a Gas Rate Increase and Amending Rate Schedules G-1, G-2, G-3, and G-10
D. Amended Rate Schedules G-1, G-2, G-3, and G-10 (proposed changes shown in in redline/strikeout)

PREPARED BY: **ERIC KENISTON,** Senior Resource Planner

REVIEWED BY: **JONATHAN ABENDSCHEIN,** Assistant Director, Resource Management

APPROVED BY: Dean Batchelor

DEAN BATCHELOR
Interim General Manager of Utilities

Attachment A

* NOT YET APPROVED *
Resolution No. _________
Resolution of the Council of the City of Palo Alto Approving the
FY 2019 Gas Utility Financial Plan

R E C I T A L S

A. Each year the City of Palo Alto ("City") regularly assesses the financial position of its utilities with the goal of ensuring adequate revenue to fund operations. This includes making long-term projections of market conditions, the physical condition of the system, and other factors that could affect utility costs, and setting rates adequate to recover these costs. It does this with the goal of providing safe, reliable, and sustainable utility services at competitive rates. The City adopts Financial Plans to summarize these projections.

B. The City uses reserves to protect against contingencies and to manage other aspects of its operations, and regularly assesses the adequacy of these reserves and the management practices governing their operation. The status of utility reserves and their management practices are included in Reserves Management Practices attached to and made part of the Financial Plans.

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

SECTION 1. The Council hereby adopts the FY 2020 Gas Utility Financial Plan.

SECTION 2. The Council hereby approves the transfer of up to $6.3 Million from the Rate Stabilization Reserve to the Operations Reserve, and up $6 Million from the Operations Reserve to the CIP Reserve, as described in the FY 2020 Gas Utility Financial Plan approved via this resolution.

//

//

//

//

//

//

//

//

//

* NOT YET APPROVED *

//

//

SECTION 3. The Council finds that the adoption of this resolution does not meet the California Environmental Quality Act's (CEQA) definition of a project under Public Resources Code Section 21065 and CEQA Guidelines Section 15378(b)(5), because it is an administrative governmental activity which will not cause a direct or indirect physical change in the environment, and therefore, no environmental assessment is required.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

____________________________	____________________________
City Clerk	Mayor
APPROVED AS TO FORM:	APPROVED:
____________________________	____________________________
Assistant City Attorney	City Manager
	____________________________
	Director of Utilities
	____________________________
	Director of Administrative Services

Attachment B

Proposed FY 2020 Gas Utility Financial Plan

Due to the Size of the Report, it has been uploaded to the web.

Follow the Link Below:

https://cityofpaloalto.org/civicax/filebank/blobdload.aspx?BlobID=70902

* NOT YET APPROVED *

Resolution No. _________

Resolution of the Council of the City of Palo Alto Increasing Gas Rates by Amending Rate Schedules G-1 (Residential Gas Service), G-2 (Residential Master-Metered and Commercial Gas Service), G-3 (Large Commercial Gas Service), and G-10 (Compressed Natural Gas Service Service)

R E C I T A L S

A. Pursuant to Chapter 12.20.010 of the Palo Alto Municipal Code, the Council of the City of Palo Alto may by resolution adopt rules and regulations governing utility services, fees and charges.

B. On ____, 2019, the City Council heard and approved the proposed rate increase at a noticed public hearing.

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

SECTION 1. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule G-1 (Residential Gas Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule G-1, as amended, shall become effective July 1, 2019.

SECTION 2. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule G-2 (Residential Master-Metered and Commercial Gas Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule G-2, as amended, shall become effective July 1, 2019.

SECTION 3. 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 as attached and incorporated. Utility Rate Schedule G-3, as amended, shall become effective July 1, 2019.

SECTION 4. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule G-10 (Compressed Natural Gas Service Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule G-10, as amended, shall become effective July 1, 2019.

SECTION 5. The City Council finds as follows:

a. Revenues derived from the gas rates approved by this resolution do not exceed the funds required to provide gas service.

b. Revenues derived from the gas rates approved by this resolution shall not be used for any purpose other than providing gas service, and the purposes set forth in Article VII, Section 2, of the Charter of the City of Palo Alto.

* NOT YET APPROVED *

SECTION 6. The Council finds that the fees and charges adopted by this resolution are charges imposed for a specific government service or product provided directly to the payor that are not provided to those not charged, and do not exceed the reasonable costs to the City of providing the service or product.

SECTION 7. The Council finds that the adoption of this resolution changing gas rates to meet operating expenses, purchase supplies and materials, meet financial reserve needs and obtain funds for capital improvements necessary to maintain service is not subject to the California Environmental Quality Act (CEQA), pursuant to California Public Resources Code Sec. 21080(b)(8) and Title 14 of the California Code of Regulations Sec. 15273(a). After reviewing the staff report and all attachments presented to Council, the Council incorporates these documents herein and finds that sufficient evidence has been presented setting forth with specificity the basis for this claim of CEQA exemption.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

____________________________	____________________________
City Clerk	Mayor
APPROVED AS TO FORM:	APPROVED:
____________________________	____________________________
Assistant City Attorney	City Manager
	____________________________
	Director of Utilities
	____________________________
	Director of Administrative Services

Attachment D

Due to there being multiple attachments to this item they have been linked to the web.

Follow the link(s) below:

Attachment D-1:	Residential Gas Services	Rate G-1
Attachment D-2:	Residential Master-Metered and Commercial Gas Service	Rate G-2
Attachment D-3:	Large Commercial Gas Service	Rate G-3
Attachment D-4:	Compressed Natural Gas Service	Rate G-10