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**TO: UTILITIES ADVISORY COMMISSION**

**FROM: DEAN BATCHELOR, DIRECTOR OF UTILITIES**

**DATE: APRIL 15, 2020**

**SUBJECT: AGENDA ITEM NUMBER 2 – Staff Recommendation That the Utilities Advisory Commission Recommend the City Council Adopt a Resolution Approving the Fiscal Year 2021 Gas Utility Financial Plan, Including Proposed Transfers and an Amendment to the Gas Utility Reserve Management Practices, and 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)**

In item #2, staff has proposed an overall gas rate change of 5% effective July 1, 2020. In light of the COVID-19 pandemic, staff is bringing forward an alternative rate increase proposal for consideration by the Utilities Advisory Commission.

<b>Projection</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
Current Financial Plan	5%	4%	4%	4%	2%
<b>Alternate 3% Increase (Recommended)</b>	<b>3%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>1%</b>
Alternate 0% Increase	0%	10%	8%	3%	1%

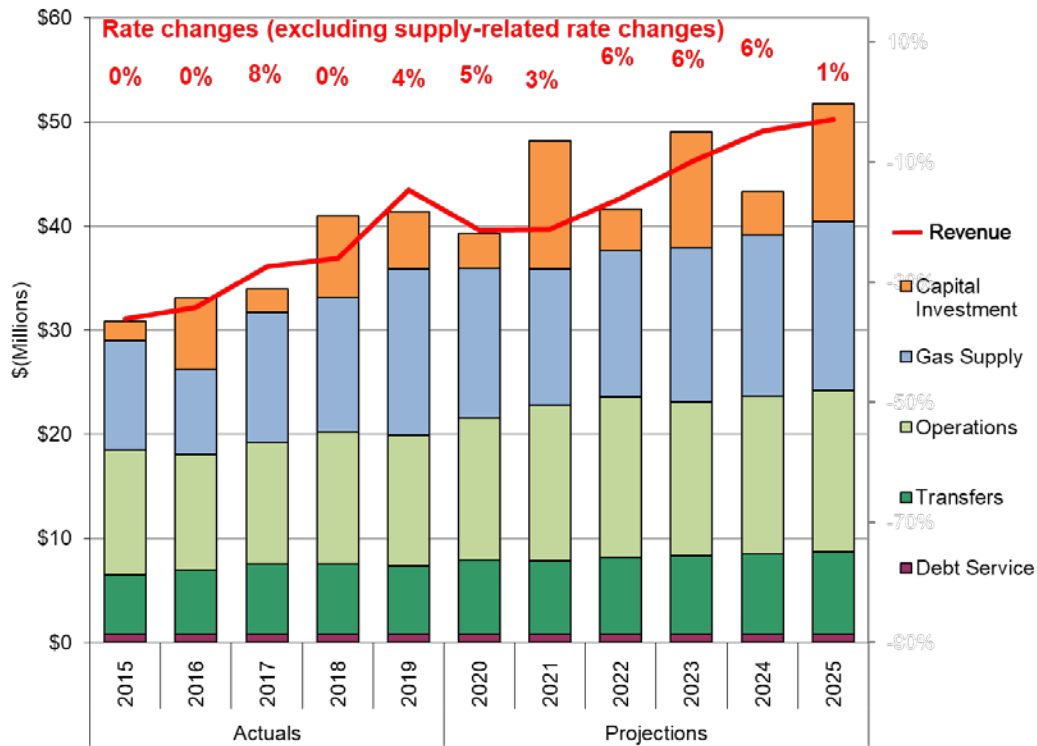
Understanding that rate increases during this time are more difficult for residents and businesses to absorb, staff is recommending an alternative, lower rate increase amount of 3% overall for gas. The future rate increase trajectory is slightly higher, as shown in Figure 1, but Operations reserves will still remain within guideline levels, as shown in Figure 2. Given lower sales volumes seen since the forecasts were first created (prior to the winter heating season and the shelter-in-place actions), staff is anticipating that future rate increases would likely need to be higher than what was presented earlier. Some of this lower consumption has been factored into the alternate proposals.



Staff also ran a scenario with no rate increase for FY 2021, although future rate increases would be larger to keep the Operations Reserve within the guideline ranges, or large costs, such as CIP projects, would be deferred to later years.

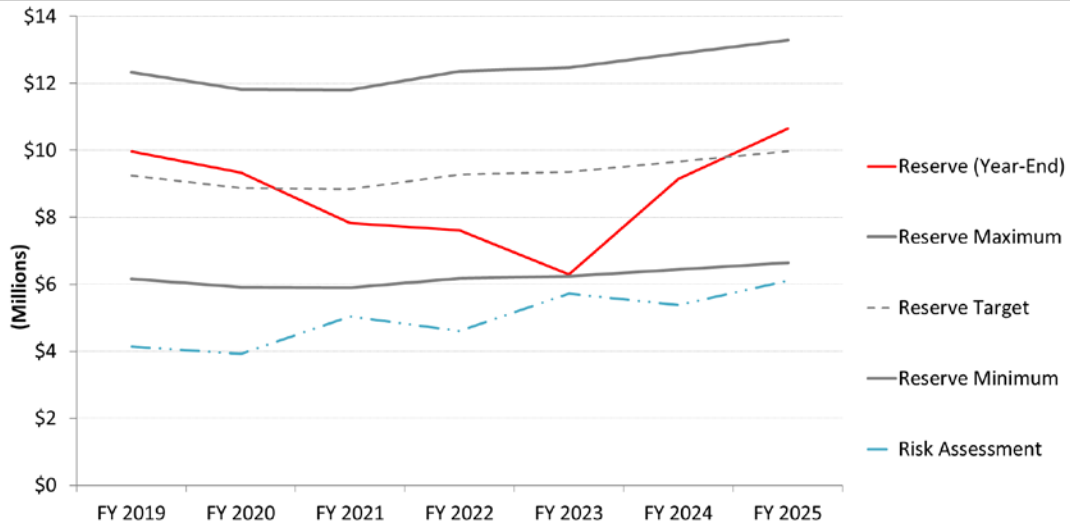
If the UAC and Finance Committee agree to this alternate scenario, the Rates adoption CMR, FY 2021 Gas Financial Plan and rate schedules to be presented to Council in June will be amended to reflect the alternate scenario.

**Figure 1: FY 2021 3% Rate Increase scenario**





**Figure 2: FY 2021 3% Rate Increase: Operations Reserve**



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