

Resolution No.

Resolution of the Council of the City of Palo Alto Amending the Gas Utility Long-term Plan Objectives, Strategies, and Implementation Plan, Amending the Gas Utility Reserves Management Practices, Amending the FY 2025 Gas Fund Budget Appropriation, and 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)

R E C I T A L S

A. On March 7, 2011, the Council adopted Resolution No. 9151, approving the Gas Utility Long-term Plan Objectives, Strategies and Implementation Plan (the "Plan"), amended on April 23, 2012 via Resolution No. 9244 and on September 18, 2023 via Resolution No. 10126.

B. On May 1, 2024 staff presented the Utilities Advisory Commission and the Council information proposing a third amendment to Resolution No. 10126, to further amend the Plan to include a gas price mitigation strategy, which will collect funds to mitigate the impact of short-term gas price spikes on customer rates.

C. 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.

D. On June 17, 2024, the Council adopted Resolution 10177 approving the Fiscal year 2025 Gas Utility Financial Plan including the Gas Utility Reserves Management Practices.

E. Implementing the gas price mitigation strategy requires amending the FY 2025 Gas Fund Budget revenue by \$1,200,000.

F. Implementing the gas price mitigation strategy requires amending the Commodity Charge cost component of the following Rate Schedules to include a gas price mitigation adder of 5.5 cents per therm within the Commodity Charge: 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); attached and incorporated as Exhibits C through F to this Resolution.

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

SECTION 1. The Council hereby approves the amendments to the Gas Utility Long-term Plan Objectives, Strategies and Implementation Plan (GULP), attached to this Resolution as Exhibit A.

SECTION 2. The Council hereby approves the amendments to the Gas Utility Reserves Management Practices, attached to this Resolution as Exhibit B.

SECTION 3. Resolution No. 10126 is hereby amended in so far as the Plan, as amended, is hereby approved.

SECTION 4. The Council hereby approves amending the Fiscal Year 2025 budget appropriation for the Gas Fund by:

- a. increasing Net Sales Revenue by \$1,200,000; and
- b. increasing the Gas Rate Stabilization Reserve by \$1,200,000.

SECTION 5. 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 to this Resolution as Exhibit C. Utility Rate Schedule G-1, as amended, shall become effective November 1, 2024.

SECTION 6. 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 to this Resolution as Exhibit D. Utility Rate Schedule G-2, as amended, shall become effective November 1, 2024.

SECTION 7. 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 to this Resolution as Exhibit E. Utility Rate Schedule G-3, as amended, shall become effective November 1, 2024.

SECTION 8. 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 to this Resolution as Exhibit F. Utility Rate Schedule G-10, as amended, shall become effective November 1, 2024.

SECTION 9. 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.

SECTION 10. 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 11. The Council finds that approving the changes to the FY 2024 Gas Fund budget appropriation and Plan 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 these actions are administrative governmental activities which will not cause a direct or indirect physical change in the environment. The Council finds that changing the Commodity Charge cost component of gas rates to meet operating expenses and financial reserve needs 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

Proposed Gas Utility Long-term Plan (GULP)

Objectives, Strategies and Implementation Plan

GULP Objectives:

1. Market price transparency – Pass a market supply cost signal through to customers with measures to [mitigate the impact of short-term gas market price spikes](#).~~protect against price spikes applied during winter months.~~
2. Supply Cost Management – Lower delivered gas cost over the long term.
3. Energy Efficiency – Ensure the deployment of all feasible, reliable, cost-effective energy efficiency measures.
4. Climate Protection – Reduce the carbon intensity of the gas portfolio in accordance with the Sustainability and Climate Protection Plan.
5. Parity with PG&E – At a reasonable cost, protect the City's interests and maintain access to transportation on par with PG&E's core customers.

GULP Strategies:

1. Pass a market supply cost signal through to customers with measures to [mitigate the impact of short-term gas market price spikes by:](#) ~~protect against price spikes applied during winter months by:~~
 - a. Purchasing ~~natural~~ gas at monthly and daily market index prices;
 - b. Changing gas supply rates monthly to reflect market prices; and
 - c. [Collecting funds in the Gas Rate Stabilization Reserve to manage potential short-term price spikes; and](#)
 - ~~c.d. Utilizing those funds if a short-term gas market price spike occurs~~[Purchasing physical capped-price gas for some or all forecasted natural gas volumes for December through February, provided that the cost of the price caps results in no more than a 15 cents per therm impact on retail commodity gas rates.](#)
2. Lower delivered gas cost over the long term by:
 - a. Acquiring pipeline assets that yield supply costs below market and meet operational needs;
 - b. Taking advantage of the City's low cost of capital to acquire gas supply and assets; and
 - c. Optimizing existing assets.
3. Ensure the deployment of all feasible, reliable, cost-effective energy efficiency measures by:
 - a. Developing a ten-year gas efficiency plan every four years maintaining consistency with the electric energy efficiency goals update schedule; and
 - b. Considering the impacts of electrification on gas demand.
4. Reduce the carbon intensity of the gas portfolio in accordance with the Climate Protection Plan by:
 - a. Terminating the PaloAltoGreen Gas program established by Resolution 9405; and
 - b. Designing and implementing the Carbon Neutral Gas Plan to achieve carbon reduction with no more than a 10 cent per therm rate impact.
5. At a reasonable cost, protect the City's interests and maintain access to transportation on par with PG&E's core customers by:

[Adopted April 23, 2012 via Resolution 9244](#)
[Amended September 18, 2023 via Resolution 10126](#)
[Amended August 19, 2024 via Resolution XXXXX](#)

Exhibit A

- a. Participating in the regulatory and legislative arenas when the potential impact on the City is aligned with the cost to intervene and the probability of success;
- b. Negotiating with PG&E for fair access to transportation and storage; and
- c. Exploring potential joint action with other public agencies.

GULP Implementation Plan:

1. Implement market-based supply purchases and commodity rates with measures to mitigate the impact of short-term gas market price spikes by:~~protect against price spikes applied during winter months by:~~
 - a. Adding 5.5 cents per therm to the Gas Commodity Charge from November 2024 through October 2027~~Developing a new purchasing plan to be approved by the Director of Utilities;~~ and
 - b. Conducting customer communication and outreach.
2. Pursue below-market assets available through the Gas Transportation and Storage Settlement by:
 - a. Evaluating the pipeline capacity reservation options available; and
 - b. Contracting with PG&E for any pipeline capacity with an estimated cost below the forecasted market value.
3. Monitor the prepay market and prepare for implementation in preparation for a future MuniGas transaction.
4. Implement gas efficiency programs to meet the gas efficiency goals.
5. Track and report on gas efficiency by:
 - a. Providing quarterly updates to the UAC about the gas efficiency programs; and
 - b. Providing annual updates to Council on gas efficiency achievements compared to the goals and overall cost effectiveness.
6. Continue evaluating new gas efficiency technologies and undertake pilot studies where appropriate.
7. Pursue potential modifications to the Carbon Neutral Gas Plan by:
 - a. Determining an acceptable premium, if any, to be paid for a local offset project if and when a certified project is identified; and
 - b. Investigating alternatives to offsets, including methods involving voter approval.

APPENDIX C: GAS UTILITY RESERVES MANAGEMENT PRACTICES

The following reserves management practices shall be used when developing the Gas Utility Financial Plan:

Section 1. Definitions

- a) “Financial Planning Period” – The Financial Planning Period is the range of future fiscal years covered by the Financial Plan. For example, if the Financial Plan delivered in conjunction with the FY 2015 budget includes projections for FY 2015 to FY 2019, FY 2015 to FY 2019 would be the Financial Planning Period.
- b) “Fund Balance” – As used in these Reserves Management Practices, Fund Balance refers to the Utility’s Unrestricted Net Assets.
- c) “Net Assets” - The Government Accounting Standards Board defines a Utility’s Net Assets as the difference between its assets and liabilities.
- d) “Unrestricted Net Assets” - The portion of the Utility’s Net Assets not invested in capital assets (net of related debt) or restricted for debt service or other restricted purposes.

Section 2. Supply Fund Reserves

The Gas Utility’s Supply Fund Balance is reserved for the following purposes:

- a) For existing contracts, as described in Section 4 (Reserve for Commitments)
- b) For operating and capital budgets re-appropriated from previous years, as described in Section 5 (Reserve for Re-appropriations)

Section 3. Distribution Fund Reserves

- a) For existing contracts, as described in Section 4 (Reserve for Commitments)
- b) For operating and capital budgets re-appropriated from previous years, as described in Section 5 (Reserve for Re-appropriations)
- c) For cash flow management and contingencies related to the Gas Utility’s Capital Improvement Program (CIP), as described in Section 6 (CIP Reserve)
- d) For rate stabilization, as described in Section 7 (Rate Stabilization Reserve)
- e) For operating contingencies, as described in Section 8 (Operations Reserve)
- f) For tracking unspent or unallocated revenues from the sale of carbon allowances freely allocated by the California Air Resources Board to the gas utility under the State’s Cap and Trade Program, as described in Section 11 (Cap and Trade Program Reserve)
- g) Any funds not included in the other reserves will be considered Unassigned Reserves and shall be returned to ratepayers or assigned a specific purpose as described in Section 9 (Unassigned Reserves)

Section 4. Reserve for Commitments

At the end of each fiscal year the Gas Supply Fund and Gas Distribution Fund Reserve for Commitments will be set to an amount equal to the total remaining spending authority for all contracts in force for the Wastewater Collection Utility at that time.

Section 5. Reserve for Reappropriations

At the end of each fiscal year the Gas Supply Fund and Gas Distribution Fund Reserve for Reappropriations will be set to an amount equal to the amount of all remaining capital and non-capital budgets, if any, that will be re-appropriated to the following fiscal year for each fund in accordance with Palo Alto Municipal Code Section 2.28.090.

Section 6. CIP Reserve

The CIP Reserve is used to manage cash flow for capital projects and acts as a reserve for capital contingencies. Staff will manage the CIP Reserve according to the following practices:

The following guideline levels are set forth for the CIP Reserve. These guideline levels are calculated for each fiscal year of the Financial Planning Period based on the levels of CIP expense budgeted for that year.

Minimum Level	12 months of budgeted CIP expense
Maximum Level	24 months of budgeted CIP expense

- a) Changes in Reserves: Staff is authorized to transfer funds between the CIP Reserve and the Reserve for Commitments when funds are added to or removed from the Reserve for Commitments as a result of a change in contractual commitments related to CIP projects. Any other additions to or withdrawals from the CIP reserve require Council action.
- b) Minimum Level:
 - i) Funds held in the Reserve for Commitments may be counted as part of the CIP Reserve for the purpose of determining compliance with the CIP Reserve minimum guideline level.
 - ii) If, at the end of any fiscal year, the minimum guideline is not met, staff shall present a plan to the City Council to replenish the reserve. The plan shall be delivered by the end of the following fiscal year, and shall, at a minimum, result in the reserve reaching its minimum level by the end of the next fiscal year. For example, if the CIP Reserve is below its minimum level at the end of FY 2017, staff must present a plan by June 30, 2018 to return the reserve to its minimum level by June 30, 2019. In addition, staff may present, and the Council may adopt, an alternative plan that takes longer than one year to replenish the reserve, or that does so in a shorter period of time.
- c) Maximum Level: If, at any time, the CIP Reserve reaches its maximum level, no funds may be added to this reserve. If there are funds in this reserve in excess of the maximum level staff must propose to transfer these funds to another reserve or return them to ratepayers in the next Financial Plan. Staff may also seek Council approval to hold funds in this reserve in excess of the maximum level, if they are held for a specific future purpose related to the CIP.

Section 7. Rate Stabilization Reserve

The Rate Stabilization Reserve is used to manage the trajectory of future year rate increases and mitigate the impact of short-term gas market price spikes. This reserve holds revenues derived from the gas price mitigation adder adopted by Council on August 19, 2024; additional funds may be added to the Rate Stabilization Reserve by action of the City Council, and held to manage the trajectory of future year rate increases. Withdrawal of funds from the Rate Stabilization Reserve requires Council action. If there are funds in the Rate Stabilization Reserve at the end of any fiscal year, any subsequent Gas Utility Financial Plan must result in the withdrawal of all funds from this Reserve by the end of the Financial Planning Period, with the exception that gas price mitigation adder revenues may be held in the Rate Stabilization Reserve until needed.

Section 8. Operations Reserve

The Operations Reserve is used to manage normal variations in costs and as a reserve for contingencies. Any portion of the Gas Utility's Fund Balance not included in the reserves described in Section 4-Section 7 above will be included in the Operations Reserve unless this reserve has reached its maximum level as set forth in Section 8 d) below. Staff will manage the Operations Reserve according to the following practices:

- a) The following guideline levels are set forth for the Operations Reserve. These guideline levels are calculated for each fiscal year of the Financial Planning Period based on the levels of Operations and Maintenance (O&M) and commodity expense forecasted for that year in the Financial Plan.

Minimum Level	60 days of O&M and commodity expense
Target Level	90 days of O&M and commodity expense
Maximum Level	120 days of O&M and commodity expense

- b) Minimum Level: If, at the end of any fiscal year, the funds remaining in the Operations Reserve are lower than the minimum level set forth above, staff shall present a plan to the City Council to replenish the reserve. The plan shall be delivered within six months of the end of the fiscal year, and shall, at a minimum, result in the reserve reaching its minimum level by the end of the following fiscal year. For example, if the Operations Reserve is below its minimum level at the end of FY 2014, staff must present a plan by December 31, 2014 to return the reserve to its minimum level by June 30, 2015. In addition, staff may present, and the Council may adopt, an alternative plan that takes longer than one year to replenish the reserve.
- c) Target Level: If, at the end of any fiscal year, the Operations Reserve is higher or lower than the target level, any Financial Plan created for the Gas Utility shall be designed to return the Operations Reserve to its target level by the end of the forecast period.
- d) Maximum Level: If, at any time, the Operations Reserve reaches its maximum level, no funds may be added to this reserve. Any further increase in the Gas Utility's Fund Balance shall be automatically included in the Unassigned Reserve described in Section 9, below.

Section 9. Unassigned Reserve

If the Operations Reserve reaches its maximum level, any further additions to the Gas Utility's Fund Balance will be held in the Unassigned Reserve. If there are any funds in the Unassigned Reserve at the end of any fiscal year, the next Financial Plan presented to the City Council must include a plan to assign them to a specific purpose or return them to the Gas Utility ratepayers by the end of the first fiscal year of the next Financial Planning Period. For example, if there were funds in the Unassigned Reserves at the end of FY 2015, and the next Financial Planning Period is FY 2016 through FY 2020, the Financial Plan shall include a plan to return or assign any funds in the Unassigned Reserve by the end of FY 2016. Staff may present an alternative plan that retains these funds or returns them over a longer period of time.

Section 10. Intra-Utility Transfers Between Supply and Distribution Funds

The Gas Utility records costs in two separate funds: the Gas Supply Fund and the Gas Distribution Fund. At the end of each fiscal year staff is authorized to transfer funds between the Gas Supply Fund and Gas Distribution Fund if consistent with the purposes of the two reserves involved in the transfer and in order to balance gas utility reserves to avoid negative balances. For example, Gas Distribution revenues are needed to pay for certain supply-related costs such as administration of the Gas Supply Fund. Such transfers shall be included in the ordinance closing the budget for the fiscal year.

Section 11. Cap and Trade Program Reserve

This reserve holds revenues from the sale of carbon allowances freely allocated by the California Air Resources Board to the gas utility, under the State's Cap and Trade Program. Funds in this Reserve are managed in accordance with the City's Policy on the Use of Freely Allocated Allowances under the State's Cap and Trade Program (the Policy), adopted by Council Resolution 9487 in January 2015. At the end of each fiscal year, the Cap and Trade Program Reserve will be adjusted by the net of revenues and expenses associated with the Cap and Trade program.

RESIDENTIAL GAS SERVICE**UTILITY RATE SCHEDULE G-1****A. APPLICABILITY:**

This schedule applies to the following Customers receiving Gas Service from City of Palo Alto Utilities:

1. Separately-metered single-family residential Customers;
2. Separately-metered multi-family residential Customers in multi-family residential facilities.

B. TERRITORY:

This schedule applies anywhere the City of Palo Alto provides Gas Service.

C. UNBUNDLED RATES:Per Service

Monthly Service Charge:\$ 16.93

Tier 1 Rates:

Per Therm

Supply Charges:

- | | |
|--|---------------|
| 1. Commodity (Monthly Market Based)..... | \$0.10-\$4.00 |
| 2. Cap and Trade Compliance Charge | \$0.00-\$0.25 |
| 3. Transportation Charge | \$0.00-\$0.25 |
| 4. Carbon Offset Charge | \$0.00-\$0.10 |

Distribution Charge:..... \$ 0.8229

Tier 2 Rates: (All usage over 100% of Tier 1)

Supply Charges:

- | | |
|--|---------------|
| 1. Commodity (Monthly Market Based)..... | \$0.10-\$4.00 |
| 2. Cap and Trade Compliance Charge | \$0.00-\$0.25 |
| 3. Transportation Charge | \$0.00-\$0.25 |
| 4. Carbon Offset Charge | \$0.00-\$0.10 |

Distribution Charge:..... \$ 2.1043

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RESIDENTIAL GAS SERVICE**UTILITY RATE SCHEDULE G-1****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.

The Commodity Charge is based on the monthly natural gas Bidweek Price Index for delivery at PG&E Citygate, adjusted to account for delivery losses to the Customer's Meter. The Commodity Charge also includes adjustments to account for Council-approved programs implemented to reduce the cost of Gas, including a municipal purchase discount¹; **and \$0.055 per therm for mitigating the impact of short-term natural gas market price spikes²** ~~and a maximum \$0.15/per therm cost for capped price winter natural gas purchases³.~~

The Cap and Trade Compliance Charge reflects the City's cost of regulatory compliance with the state's Cap and Trade Program, including the cost of acquiring compliance instruments sufficient to cover the City's Gas Utility's compliance obligations. The Cap and Trade Compliance Charge will change in response to changing market conditions, retail sales volumes and the quantity of allowances required.

The Carbon Offset Charge reflects the City's cost to purchase offsets for greenhouse gases produced when Gas is burned. The Carbon Offset Charge will change in response to changing market conditions, changing sales volumes and the quantity of offsets purchased within the Council-approved per therm cap.

The Transportation Charge is based on the current PG&E G-WSL rate for Palo Alto, accounting for delivery losses to the Customer's Meter.

¹ Adopted via Resolution 9451, on September 15, 2014.

² **Adopted via Resolution XXXXX on August 19, 2024.**

³ ~~Adopted via Resolution 10126, on September 18, 2023.~~

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RESIDENTIAL GAS SERVICE**UTILITY RATE SCHEDULE G-1**

The Commodity, Cap and Trade Compliance, Carbon Offset and Transportation Charges will fall within the minimum/maximum ranges set forth in Section C. Current and historic per therm rates for the Commodity, Cap and Trade Compliance, Carbon Offset and Transportation Charges are posted on the City Utilities website.⁴

2. Seasonal Rate Changes:

The Summer period is effective April 1 to October 31 and the Winter period is effective from November 1 to March 31. When the billing period includes use in both the Summer and the Winter periods, the usage will be prorated based on the number of days in each seasonal period, and the charges based on the applicable rates for each period. For further discussion of bill calculation and proration, refer to Rule and Regulation 11.

3. Calculation of Usage Tiers

Tier 1 natural gas usage shall be calculated and billed based upon a level of 0.667 therms per day during the Summer period and 2.0 therms per day during the Winter period, rounded to the nearest whole therm, based on meter reading days of service. As an example, for a 30 day bill, the Tier 1 level would be 20 therms during the Summer period and 60 therms during the Winter period months. For further discussion of bill calculation and proration, refer to Rule and Regulation 11.

{End}

⁴ Monthly gas and commodity and volumetric rates are available [here](https://www.cityofpaloalto.org/files/assets/public/utilities/rates-schedules-for-utilites/residential-utility-rates/monthly-gas-volumetric-and-service-charges-residential.pdf), or by visiting <https://www.cityofpaloalto.org/files/assets/public/utilities/rates-schedules-for-utilites/residential-utility-rates/monthly-gas-volumetric-and-service-charges-residential.pdf>

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RESIDENTIAL MASTER-METERED AND COMMERCIAL GAS SERVICE**UTILITY RATE SCHEDULE G-2****A. APPLICABILITY:**

This schedule applies to the following Customers receiving Gas Service from the City of Palo Alto Utilities:

1. Commercial Customers who use less than 250,000 therms per year at one site;
2. Master-metered residential Customers in multi-family residential facilities.

B. TERRITORY:

This schedule applies anywhere the City of Palo Alto provides Gas Service.

C. UNBUNDLED RATES:Per Service

Monthly Service Charge:\$ 156.90

Per Therm

Supply Charges:

- | | |
|---|---------------|
| 1. Commodity (Monthly Market Based) | \$0.10-\$4.00 |
| 2. Cap and Trade Compliance Charges | \$0.00-\$0.25 |
| 3. Transportation Charge | \$0.00-\$0.25 |
| 4. Carbon Offset Charge | \$0.00-\$0.10 |

Distribution Charge: \$1.0809

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.

The Commodity Charge is based on the monthly natural gas Bidweek Price Index for delivery at PG&E Citygate, adjusted to account for delivery losses to the Customer's Meter. The Commodity Charge also includes adjustments to account for Council-approved programs implemented to reduce the cost of Gas, including a municipal

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RESIDENTIAL MASTER-METERED AND COMMERCIAL GAS SERVICE**UTILITY RATE SCHEDULE G-2**

purchase discount¹, and \$0.055 per therm for mitigating the impact of short-term natural gas market price spikes² and a maximum \$0.15/per therm cost for capped price winter natural gas purchases³.

The Cap and Trade Compliance Charge reflects the City's cost of regulatory compliance with the state's Cap and Trade Program, including the cost of acquiring compliance instruments sufficient to cover the City's Gas Utility's compliance obligations. The Cap and Trade Compliance Charge will change in response to changing market conditions, retail sales volumes and the quantity of allowances required.

The Carbon Offset Charge reflects the City's cost to purchase offsets for greenhouse gases produced when Gas is burned. The Carbon Offset Charge will change in response to changing market conditions, changing sales volumes and the quantity of offsets purchased within the Council-approved per therm cap.

The Transportation Charge is based on the current PG&E G-WSL rate for Palo Alto, accounting for delivery losses to the Customer's Meter.

The Commodity, Cap and Trade Compliance, Carbon Offset and Transportation Charges will fall within the minimum/maximum ranges set forth in Section C. Current and historic per therm rates for the Commodity, Cap and Trade Compliance, Carbon Offset and Transportation Charges are posted on the City Utilities website.⁴

{End}

1 Adopted via Resolution 9451, on September 15, 2014.

2 Adopted via Resolution XXXXX on August 19, 2024.

3 Adopted via Resolution 10126, on September 18, 2023.

4 Monthly gas and commodity and volumetric rates are available [here](https://www.cityofpaloalto.org/files/assets/public/utilities/business/business-rates/monthly-gas-volumetric-and-service-charges-commercial.pdf), or by visiting <https://www.cityofpaloalto.org/files/assets/public/utilities/business/business-rates/monthly-gas-volumetric-and-service-charges-commercial.pdf>

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LARGE COMMERCIAL GAS SERVICE**UTILITY RATE SCHEDULE G-3****A. APPLICABILITY:**

This schedule applies to the following Customers receiving Gas Service from the City of Palo Alto Utilities:

1. Commercial Customers who use at least 250,000 therms per year at one site;
2. Customers at City-owned generation facilities.

B. TERRITORY:

This schedule applies anywhere the City of Palo Alto provides Gas Service.

C. UNBUNDLED RATES:Per Service

Monthly Service Charge: \$ 717.89

Per Therm

Supply Charges:

- | | |
|---|---------------|
| 1. Commodity (Monthly Market Based)..... | \$0.10-\$4.00 |
| 2. Cap and Trade Compliance Charges | \$0.00-\$0.25 |
| 3. Transportation Charge | \$0.00-\$0.25 |
| 4. Carbon Offset Charge | \$0.00-\$0.10 |

Distribution Charge:\$ 1.0702

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.

The Commodity Charge is based on the monthly natural gas Bidweek Price Index for delivery at PG&E Citygate, adjusted to account for delivery losses to the Customer's Meter. The Commodity Charge also includes adjustments to account for Council-

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LARGE COMMERCIAL GAS SERVICE**UTILITY RATE SCHEDULE G-3**

approved programs implemented to reduce the cost of Gas, including a municipal purchase discount¹, and \$0.055 per therm for mitigating the impact of short-term natural gas market price spikes² ~~and a maximum \$0.15/per therm cost for capped price winter natural gas purchases³.~~

The Cap and Trade Compliance Charge reflects the City's cost of regulatory compliance with the state's Cap and Trade Program, including the cost of acquiring compliance instruments sufficient to cover the City's Gas Utility's compliance obligations. The Cap and Trade Compliance Charge will change in response to changing market conditions, retail sales volumes and the quantity of allowances required.

The Carbon Offset Charge reflects the City's cost to purchase offsets for greenhouse gases produced when Gas is burned. The Carbon Offset Charge will change in response to changing market conditions, changing sales volumes and the quantity of offsets purchased within the Council-approved per therm cap.

The Transportation Charge is based on the current PG&E G-WSL rate for Palo Alto, accounting for delivery losses to the Customer's Meter.

The Commodity, Cap and Trade Compliance, Carbon Offset and Transportation Charges will fall within the minimum/maximum ranges set forth in Section C. Current and historic per therm rates for the Commodity, Cap and Trade Compliance, Carbon Offset and Transportation Charges are posted on the City Utilities website.⁴

2. 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 consists of one or more contiguous parcels of land with no intervening public right-of- ways (e.g. streets).

3. Changing Rate Schedules

Customers may request a rate schedule change at any time to any applicable City of Palo

¹ Adopted via Resolution 9451, on September 15, 2014.

² Adopted via Resolution XXXXX on August 19, 2024.

~~³ Adopted via Resolution 10126, on September 18, 2023.~~

⁴ Monthly gas and commodity and volumetric rates are available [here](https://www.cityofpaloalto.org/files/assets/public/utilities/business/business-rates/monthly-gas-volumetric-and-service-charges-commercial.pdf), or by visiting <https://www.cityofpaloalto.org/files/assets/public/utilities/business/business-rates/monthly-gas-volumetric-and-service-charges-commercial.pdf>

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LARGE COMMERCIAL GAS SERVICE

UTILITY RATE SCHEDULE G-3

Alto full-service rate schedule.

{End}

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Supersedes Sheet No G-3-3
dated 7-1-2024



CITY OF
PALO ALTO
UTILITIES

Effective 11-1-2024
Sheet No G-3-3

COMPRESSED NATURAL GAS SERVICE**UTILITY RATE SCHEDULE G-10****A. APPLICABILITY:**

This schedule applies to the sale of Gas to the City-owned compressed natural gas (CNG) fueling station at the Municipal Service Center in Palo Alto.

B. TERRITORY:

Applies to the City's CNG fueling station located at the Municipal Service Center in City of Palo Alto.

C. UNBUNDLED RATES:Per Service

Monthly Service Charge:\$ 106.11

Per Therm

Supply Charges:

Commodity (Monthly Market Based)..... \$0.10-\$4.00

Cap and Trade Compliance Charges..... \$0.00-\$0.25

Transportation Charge \$0.00-\$0.25

Carbon Offset Charge \$0.00-\$0.10

Distribution Charge.....\$ 0.0175

D. SPECIAL CONDITIONS**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.

The Commodity Charge is based on the monthly natural gas Bidweek Price Index for delivery at PG&E Citygate, adjusted to account for delivery losses to the Customer's Meter. The Commodity Charge also includes adjustments to account for Council-approved programs implemented to reduce the cost of Gas, including a municipal purchase discount¹; **and \$0.055 per**

¹ Adopted via Resolution 9451, on September 15, 2014.

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COMPRESSED NATURAL GAS SERVICE**UTILITY RATE SCHEDULE G-10**

therm for mitigating the impact of short-term natural gas market price spikes²~~and a maximum \$0.15/per therm cost for capped price winter natural gas purchases³.~~

The Cap and Trade Compliance Charge reflects the City's cost of regulatory compliance with the state's Cap and Trade Program, including the cost of acquiring compliance instruments sufficient to cover the City's Gas Utility's compliance obligations. The Cap and Trade Compliance Charge will change in response to changing market conditions, retail sales volumes and the quantity of allowances required.

The Carbon Offset Charge reflects the City's cost to purchase offsets for greenhouse gases produced when Gas is burned. The Carbon Offset Charge will change in response to changing market conditions, changing sales volumes and the quantity of offsets purchased within the Council-approved per therm cap.

The Transportation Charge is based on the current PG&E G-WSL rate for Palo Alto, accounting for delivery losses to the Customer's Meter.

The Commodity, Cap and Trade Compliance, Carbon Offset and Transportation Charges will fall within the minimum/maximum range set forth in Section C. Current and historic per therm rates for the Commodity, Cap and Trade Compliance, Carbon Offset and Transportation Charges are posted on the City Utilities website.⁴

{End}

² Adopted via Resolution XXXXX on August 19, 2024.

~~³ Adopted via Resolution 10126, on September 18, 2023.~~

⁴ Monthly gas and commodity and volumetric rates are available [here](https://www.cityofpaloalto.org/files/assets/public/utilities/business/business-rates/monthly-gas-volumetric-and-service-charges-commercial.pdf), or by visiting <https://www.cityofpaloalto.org/files/assets/public/utilities/business/business-rates/monthly-gas-volumetric-and-service-charges-commercial.pdf>

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