



CITY OF
PALO ALTO

Residential Natural Gas Rebate Program

City Council Item #10

PURPOSE & RECOMMENDATION

1. Approve a residential natural gas rebate program to mitigate extraordinary high January 2023 natural gas bills
 - a. A consumption based rebate equivalent to 20% of the January 2023 gas bill
OR
 - b. A flat rate of \$80.78 on an average January gas bill of \$403.90
2. Amend the Fiscal Year 2023 Budget Appropriation (2/3 supermajority)
 - a. In the General Fund by:
 - i. Increasing the Transfer to the Gas Fund by \$1,771,586
 - ii. Decreasing the Budget Stabilization Reserve by \$1,771,586
 - b. In the Gas Fund by:
 - i. Increasing the Transfer from the General Fund by \$1,771,586
 - ii. Decreasing Residential Gas Retail Revenue by \$1,771,586

Overview

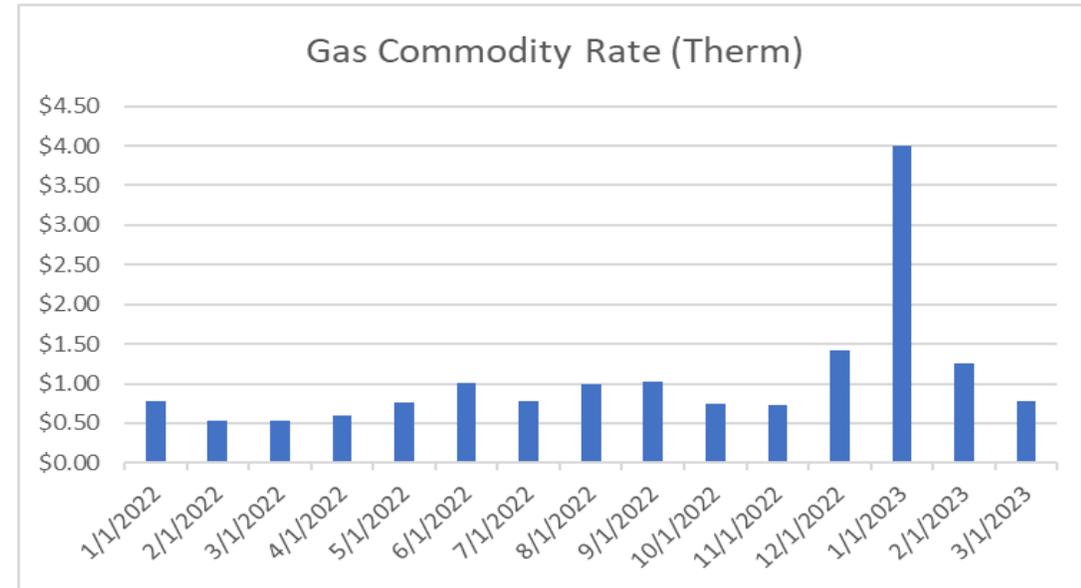
January 2023 Gas Commodity Price Spike

- Price tripled from ~ \$1/therm to \$4/therm
 - Extremely cold weather
 - High gas demand
 - Low regional gas storage
 - Transmission pipeline constraints

High Gas Price Impacts

- Customer gas bills increased 2x – 3x in Feb/Mar 2023
- Drawdown of gas reserves of \$2.5M

2022 – 2023 YTD Actual Gas Market Prices



Jan. 2023 Gas Residential Bill Range	% of Total Residential Gas Customers	# of Residential Gas Customers
Greater than \$1,000	4.4%	973
\$500 to \$1,000	27.5%	6,034
\$150 to \$500	43.7%	9,582
Less than \$150	24.4%	5,342

Jan. 2023 Residential Gas Rebate Amounts and Costs

<u>Jan. 2023 Gas Bill Range</u>	<u>Number of Accounts</u>	<u>% of Total Accounts</u>	<u>Total Gas Retail Bill Charges; Jan. 2023</u>	<u>Average Jan. 2023 Gas Bill</u>	<u>Cost of Option 1; 20% Rebate Amount</u>	<u>Cost of Option 2; Flat \$80.78 Rebate</u>	<u>Option 1; Average Customer Rebate at 20% Level</u>	<u>Option 2; Flat Rebate</u>
< \$20	996	4.5%	\$ 11,885	\$ 11.93	\$ 2,377	\$ 80,457	\$ 2.39	\$ 80.78
\$20 - \$49.99	1,019	4.6%	\$ 36,822	\$ 36.14	\$ 7,365	\$ 82,315	\$ 7.23	\$ 80.78
\$50 - \$99.99	1,849	8.4%	\$ 138,420	\$ 74.86	\$ 27,684	\$ 149,362	\$ 14.97	\$ 80.78
\$100 - \$149.99	1,478	6.7%	\$ 184,444	\$ 124.79	\$ 36,889	\$ 119,393	\$ 24.96	\$ 80.78
\$150 - \$199.99	1,440	6.6%	\$ 250,927	\$ 174.25	\$ 50,185	\$ 116,323	\$ 34.85	\$ 80.78
\$200 - \$299.99	2,850	13.0%	\$ 715,232	\$ 250.96	\$ 143,046	\$ 230,223	\$ 50.19	\$ 80.78
\$300 - \$399.99	2,735	12.5%	\$ 954,365	\$ 348.95	\$ 190,873	\$ 220,933	\$ 69.79	\$ 80.78
\$400 - \$499.99	2,557	11.7%	\$ 1,146,966	\$ 448.56	\$ 229,393	\$ 206,554	\$ 89.71	\$ 80.78
\$500 - \$599.99	2,184	10.0%	\$ 1,196,926	\$ 548.04	\$ 239,385	\$ 176,424	\$ 109.61	\$ 80.78
\$600 - \$699.99	1,623	7.4%	\$ 1,049,637	\$ 646.73	\$ 209,928	\$ 131,106	\$ 129.35	\$ 80.78
\$700 - \$799.99	1,050	4.8%	\$ 784,075	\$ 746.74	\$ 156,815	\$ 84,819	\$ 149.35	\$ 80.78
\$800 - \$899.99	704	3.2%	\$ 596,422	\$ 847.19	\$ 119,284	\$ 56,869	\$ 169.44	\$ 80.78
\$900 - \$999.99	473	2.2%	\$ 447,375	\$ 945.82	\$ 89,475	\$ 38,209	\$ 189.16	\$ 80.78
\$1,000 - \$1,499.99	786	3.6%	\$ 924,556	\$ 1,176.28	\$ 184,911	\$ 63,493	\$ 235.26	\$ 80.78
\$1,500 - \$1,999.99	110	0.5%	\$ 185,125	\$ 1,682.95	\$ 37,025	\$ 8,886	\$ 336.59	\$ 80.78
> \$2,000	77	0.4%	\$ 234,657	\$ 3,047.50	\$ 46,931	\$ 6,220	\$ 609.50	\$ 80.78
Grand Total	21,931		\$ 8,857,834	\$ 403.90	\$ 1,771,567	\$ 1,771,586		



Finance Committee Feedback (from electric rebate discussion on 3/21)

- Provide meaningful rebate to all residential customers (21,931 customers)
- Provide additional assistance to low income and other residents with hardships.
Program options:
 - Financial support for Rate Assistant Program (462 gas customers)
 - Customers with utility bill arrearages > 180 days (747 gas customers)
 - Project Pledge / Winter Rebate Program. Examples of eligible criteria:
 - reduction of employment
 - loss of wage earner
 - high medical bills

Utility Customer Programs in Place

- **[Rate assistance](#)** and free home energy upgrades for income-qualified customers. Residents struggling to pay their utilities bills may qualify for our [Rate Assistance Program](#), which provides a 25% discount on gas and electricity charges and a 20% discount on storm drain service fees.
- **[Residential Energy Assistance Program](#)**. You may be able to reduce energy and water costs by having us help you improve your home's efficiency through the [Residential Energy Assistance Program](#).
- **[ProjectPLEDGE](#)**. CPAU's [ProjectPLEDGE](#) may be able to help you with one-time assistance. Please call Utilities Customer Service at [\(650\) 329-2161](#) to determine your eligibility.
- California Arrearage Payment Program (CAPP): This newly established [California Arrearage Payment Program \(CAPP\)](#) will offer financial assistance for California energy utility customers to help reduce past due energy bill balances that increased during the COVID-19 pandemic.
- **[Home Efficiency Genie](#)**: The City is providing free assessments from our home energy advisor to help people reduce consumption and save money.
- *Extended payment*: The City is offering payment plan arrangements for those who need extra time paying their winter gas bills. Payment can be extended for 6-8 months. To pay your bill in installments, contact Utilities Customer Service at [\(650\) 329-2161](#), or visit our [Utilities Customer Service](#) web page.

<https://www.cityofpaloalto.org/Departments/Utilities/Residential/Utilities-Assistance>

RECOMMENDATION

1. Approve a residential natural gas rebate program to mitigate extraordinary high January 2023 natural gas bills
 - a. A consumption based rebate equivalent to 20% of the January 2023 gas bill
OR
 - b. A flat rate of \$80.78 on an average January gas bill of \$403.90
2. Amend the Fiscal Year 2023 Budget Appropriation (2/3 supermajority)
 - a. In the General Fund by:
 - i. Increasing the Transfer to the Gas Fund by \$1,771,586
 - ii. Decreasing the Budget Stabilization Reserve by \$1,771,586
 - b. In the Gas Fund by:
 - i. Increasing the Transfer from the General Fund by \$1,771,586
 - ii. Decreasing Residential Gas Retail Revenue by \$1,771,586

BACKUP SLIDES

Backup slides for Electric Rebate and Combined Gas and Electric Rebate Program

Finance Committee Feedback – Alternative Gas Rebate

- Provide meaningful rebate to all residential customers
- Provide additional assistance to low income and other residents with hardships

Winter Rebate Program Eligibility

- Not qualified for rate assistance or arrearage rebates
- Reduction of employment
- Loss of wage earner
- High medical bills

Jan. 2023 Gas Residential Bill Range	% of Total Residential Gas Customers	# of Residential Gas Customers	Flat Amt	Cost
Greater than \$800	9.8%	2,150	\$ 150.00	\$ 322,500
\$400 to \$800	33.8%	7,414	\$ 120.00	\$ 889,680
Less than \$400	56.4%	12,367	\$ 80.00	\$ 989,360
Subtotal	100.0%	21,931		\$ 2,201,540
Rate Assistance Program		462	\$ 50.00	\$ 23,100
Arrearage > 180 days		747	\$ 50.00	\$ 37,350
Winter Rebate Application		500	\$ 50.00	\$ 25,000
Subtotal		1,709		\$ 85,450
		Total Gas Rebate		\$ 2,286,990

Jan. 2023 Residential Electric Rebate Amounts and Costs

Jan. 2023 Electric Bill Range	Number of Accounts	% of Total Accounts	Total Electric Retail Bill Charges: Jan. 2023	Average Jan. 2023 Electric Bill	Cost of Option 1; 20% Rebate Amount	Cost of Option 2; Flat \$27.05 Rebate	Option 1; Average Customer Rebate at 20% Level	Option 2; Flat Rebate
< \$20	2,243	8.4%	\$ 23,384	\$ 10.43	\$ 4,677	\$ 60,673	\$ 2.08	\$ 27.05
\$20 - \$49.99	4,522	17.0%	\$ 160,527	\$ 35.50	\$ 32,105	\$ 122,320	\$ 7.10	\$ 27.05
\$50 - \$99.99	6,655	25.0%	\$ 489,647	\$ 73.58	\$ 97,930	\$ 180,018	\$ 14.72	\$ 27.05
\$100 - \$149.99	4,751	17.8%	\$ 584,921	\$ 123.12	\$ 116,984	\$ 128,515	\$ 24.62	\$ 27.05
\$150 - \$199.99	3,071	11.5%	\$ 531,536	\$ 173.08	\$ 106,307	\$ 83,071	\$ 34.62	\$ 27.05
\$200 - \$299.99	3,180	11.9%	\$ 769,615	\$ 242.02	\$ 153,923	\$ 86,019	\$ 48.40	\$ 27.05
\$300 - \$399.99	1,190	4.5%	\$ 407,777	\$ 342.67	\$ 81,555	\$ 32,190	\$ 68.53	\$ 27.05
\$400 - \$499.99	521	2.0%	\$ 231,091	\$ 443.55	\$ 46,218	\$ 14,093	\$ 88.71	\$ 27.05
\$500 - \$599.99	206	0.8%	\$ 111,495	\$ 541.24	\$ 22,299	\$ 5,572	\$ 108.25	\$ 27.05
\$600 - \$699.99	102	0.4%	\$ 66,361	\$ 650.60	\$ 13,272	\$ 2,759	\$ 130.12	\$ 27.05
\$700 - \$799.99	68	0.3%	\$ 50,836	\$ 747.59	\$ 10,167	\$ 1,839	\$ 149.52	\$ 27.05
\$800 - \$899.99	40	0.2%	\$ 33,678	\$ 841.95	\$ 6,736	\$ 1,082	\$ 168.39	\$ 27.05
\$900 - \$999.99	19	0.1%	\$ 17,714	\$ 932.29	\$ 3,543	\$ 514	\$ 186.46	\$ 27.05
\$1,000 - \$1,499.99	38	0.1%	\$ 45,879	\$ 1,207.34	\$ 9,176	\$ 1,028	\$ 241.47	\$ 27.05
\$1,500 - \$1,999.99	9	0.0%	\$ 15,750	\$ 1,750.02	\$ 3,150	\$ 243	\$ 350.00	\$ 27.05
> \$2,000	16	0.1%	\$ 61,950	\$ 3,871.86	\$ 12,390	\$ 433	\$ 774.37	\$ 27.05
Grand Total	26,631		\$ 3,602,161		\$ 720,433	\$ 720,369		

Jan. 2023 Electric Residential Bill Range	% of Total Residential Electric Customers	# of Residential Electric Customers
Greater than \$500	1.9%	498
\$300 to \$500	6.4%	1,711
Less than \$300	91.7%	24,422
Total	100.0%	26,631

Combined Gas and Electric Residential Rebate and Costs

Jan 2023 Residential Bill	# of Accounts	% of Total Accounts	Cost	Gas Rebate	Electric Rebate	Combined Rebate
High Bill	2,465	6.8%	\$ 372,300	\$ 150.00	\$ 100.00	\$ 250.00
Med/High Bill	8,581	23.6%	\$ 1,018,005	\$ 120.00	\$ 75.00	\$ 195.00
Low/Med Bill	25,311	69.6%	\$ 1,648,754	\$ 80.00	\$ 27.00	\$ 107.00
SubTotal	36,357		\$ 3,039,059			
Rate Assistance Program	790		\$ 79,000	\$ 50.00	\$ 50.00	\$ 100.00
Arrearage > 180 days	884		\$ 88,400	\$ 50.00	\$ 50.00	\$ 100.00
Winter Rebate Application	500		\$ 50,000	\$ 50.00	\$ 50.00	\$ 100.00
SubTotal	2,174		\$ 217,400			
				Total Cost for Alternative Option		\$ 3,256,459
				Total Cost for 20% Option		\$ 2,492,019