

* NOT YET APPROVED *

Resolution No. _____

Resolution of the Council of the City of Palo Alto Approving Capped-Price Winter Natural Gas Purchases for Winter 2023-24 and Amending the FY 2024 Gas Fund Budget by \$2,000,000 to Fund These Purchases; Amending the Gas Utility Long-term Plan Objectives, Strategies and Implementation Plan; 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)

RECITALS

- A. On March 7, 2011, the Council adopted Resolution No. 9151, which approved the Gas Utility Long-term Plan Objectives, Strategies and Implementation Plan (the “Plan”).
- B. On April 23, 2012, the Council adopted Resolution No. 9244, which amended the Gas Utility Long-term Plan Objectives, Strategies and Implementation Plan (the “Plan”).
- C. The Council’s Finance Committee has recommended the Council approve implementation of capped-price winter natural gas purchases for Winter 2023-24, which requires Council’s approval of certain amendments to the Plan, which are attached and incorporated by reference as Exhibit A to this Resolution.
- D. Resolution No. 9244 is intended to be amended to reflect the current version of the Plan.
- E. 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.
- F. Implementing capped-price winter natural gas purchasing requires amending the FY 2024 Gas Fund Budget by \$2,000,000 to fund these purchases.
- G. Implementing capped-price winter natural gas purchasing requires amending the Commodity Charge cost component of 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); attached and incorporated as Exhibits B through E to this Resolution.
- H. On September 18, 2023, the City Council heard and approved the proposed gas rate increases at a noticed public hearing.

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

* NOT YET APPROVED *

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. Resolution No. 9244 is hereby amended in so far as the Plan, as amended, is hereby approved.

SECTION 3. The Council hereby approves increasing the FY 2024 Gas Fund budget and gas operating revenues by \$2,000,000.

SECTION 4 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 B. Utility Rate Schedule G-1, as amended, shall become effective November 1, 2023.

SECTION 5. 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 C. Utility Rate Schedule G-2, as amended, shall become effective November 1, 2023.

SECTION 6. 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 D. Utility Rate Schedule G-3, as amended, shall become effective November 1, 2023.

SECTION 7. 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 E. Utility Rate Schedule G-10, as amended, shall become effective November 1, 2023.

SECTION 8. 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 9. 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.

* NOT YET APPROVED *

SECTION 10. 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, and therefore, no environmental assessment is required. The Council finds that changing the Commodity Charge cost component of 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

Proposed Gas Utility Long-term Plan (GULP) Objectives, Strategies and Implementation Plan

Adopted by Council on _____ via Resolution No. _____.

GULP Objectives:

1. Market price transparency – Pass a market supply cost signal through to customers with measures to 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 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. 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:
 - 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;
 - a. Negotiating with PG&E for fair access to transportation and storage; and
 - b. Exploring potential joint action with other public agencies.

GULP Implementation Plan:

1. Implement market-based supply purchases and commodity rates with measures to protect against price spikes applied during winter months by:
 - a. 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.

EXHIBIT B

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:\$14.01

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:..... \$0.6807

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:..... \$1.7406

D. SPECIAL NOTES:

1. Calculation of Cost Components

CITY OF PALO ALTO UTILITIES

Issued by the City Council



RESIDENTIAL GAS SERVICE

UTILITY RATE SCHEDULE G-1

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 a maximum \$0.15/per therm cost for capped price winter natural gas purchases².

~~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 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 in the burning of natural gas. 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 XXXX, on September 18, 2023.

CITY OF PALO ALTO UTILITIES

Issued by the City Council



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.³

1.2. 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.

2.3. 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}

³ 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>

CITY OF PALO ALTO UTILITIES

Issued by the City Council

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:\$129.78

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: \$0.8941

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 a maximum \$0.15/per therm cost for capped price winter natural

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

CITY OF PALO ALTO UTILITIES

Issued by the City Council



RESIDENTIAL MASTER-METERED AND COMMERCIAL GAS SERVICE

UTILITY RATE SCHEDULE G-2

gas purchases².

~~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 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 in the burning of natural gas. 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.³

{End}

² Adopted via Resolution XXXX, on September 18, 2023

³ 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>

CITY OF PALO ALTO UTILITIES

Issued by the City Council

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: \$593.79

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:\$0.8852

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

CITY OF PALO ALTO UTILITIES

Issued by the City Council



LARGE COMMERCIAL GAS SERVICE

UTILITY RATE SCHEDULE G-3

purchase discount¹, and a maximum \$0.15/per therm cost for capped price winter natural gas purchases².

~~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 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 in the burning of natural gas. 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.³

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

¹ [Adopted via Resolution 9451, on September 15, 2014.](#)

² [Adopted via Resolution XXXX, on September 18, 2023.](#)

³ Monthly gas and commodity and volumetric rates are available [here](#), or by visiting <https://www.cityofpaloalto.org/files/assets/public/utilities/business/business-rates/monthly-gas-volumetric-and-service-charges-commercial.pdf>

CITY OF PALO ALTO UTILITIES

Issued by the City Council

LARGE COMMERCIAL GAS SERVICE

UTILITY RATE SCHEDULE G-3

Customers may request a rate schedule change at any time to any applicable City of Palo Alto full-service rate schedule.

{End}

CITY OF PALO ALTO UTILITIES

Issued by the City Council

*Supersedes Sheet No G-3-3
dated [7-1-2023](#)*



CITY OF
PALO ALTO
UTILITIES

Effective [11-1-2023](#)
Sheet No **G-3-3**

COMPRESSED NATURAL GAS SERVICE

UTILITY RATE SCHEDULE G-10

A. APPLICABILITY:

This schedule applies to the sale of natural 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:\$87.77

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.....\$0.0145

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 a

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

CITY OF PALO ALTO UTILITIES

Issued by the City Council



COMPRESSED NATURAL GAS SERVICE

UTILITY RATE SCHEDULE G-10

maximum \$0.15/per therm cost for capped price winter natural gas purchases².

~~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 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 in the burning of natural gas. 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.³

{End}

² Adopted via Resolution XXXX, on September 18, 2023.

³ 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>

CITY OF PALO ALTO UTILITIES

Issued by the City Council

Supersedes Sheet No G-10-2
dated 74-1-2023



CITY OF
PALO ALTO
UTILITIES

Effective 117-1-2023
Sheet No. **G-10-2**