

# MEMORANDUM

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**TO: UTILITIES ADVISORY COMMISSION**

**FROM: UTILITIES DEPARTMENT**

**DATE: October 1, 2014**

**SUBJECT: Staff Recommendation that the Utilities Advisory Commission Recommend Council Amend the City's Cap-and-Trade Revenue Utilization Policy to Cover the Use of Freely Allocated Allowances for the Gas and Electric Utilities, and Amend Rate Schedules G-1, G-1-G, G-2, G-2-G, G-3, and G-3-G to Add a Rate Component for Cap-and-Trade Regulatory Compliance Costs and Combine the Administrative and Transportation Charges with the Distribution Charges**

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## **REQUEST**

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

1. An amended City of Palo Alto Policy on the Use of Freely Allocated Allowances Under the State's Cap-and-Trade Program (Attachment A); and
2. Amendments to Rate Schedules G-1, G-1-G, G-2, G-2-G, G-3, and G-3-G to add a rate component to collect the cost of compliance with the State's cap-and-trade program (Attachment B) and to combine the Administrative and Transportation charges with the Distribution charges.

## **EXECUTIVE SUMMARY**

Starting January 2015, natural gas suppliers are covered entities with a compliance obligation under the California Air Resource Board's (CARB's) cap-and-trade program regulation. To mitigate cost impact to retail customers, CARB is freely allocating greenhouse gas (GHG) emission allowances to natural gas utilities, including the City of Palo Alto Utilities (CPAU) for its natural gas utility, similar to the way CARB has provided allowances for the City's electric utility since 2012. The amount of allowances allocated is calculated based on CPAU's retail gas sales, and the freely allocated allowances may only be used for purposes authorized in the cap-and-trade program regulation. The allowances permitted to be used directly to cover the gas utility's emissions may be insufficient to cover CPAU's anticipated total compliance obligation. Therefore, unless CPAU reduces emissions through retail energy efficiency or the purchase of green gas, CPAU will have to purchase additional compliance instruments as a result of this regulatory program. Staff is proposing to recover these compliance costs through a new variable rate component, similar to the existing gas commodity rate component. The rate

impact of this compliance obligation is estimated to be zero to \$0.25 per therm over the period 2015-2020.

Publicly owned gas utilities like CPAU that are covered entities under CARB's cap and trade regulations receive freely allocated allowances and are required to sell a portion of their freely allocated allowances in auctions conducted by CARB. Proceeds from these sales must be used to the benefit of the City's natural gas ratepayers. Consistent with the regulatory restrictions placed on the use of the allowances and allowance value, staff recommends that Council amend its current Cap-and-Trade Revenue Utilization Policy to cover the use of freely allocated allowances for both the gas and electric utilities. The proposed amended policy (Attachment A) adds the following key points regarding gas allowances:

- A portion of the allowances will be used to meet the City's natural gas utility's compliance obligations.
- The remaining allocated allowances will be consigned to auction.
- The following are the allowable uses of the auction proceeds:
  - Investment in energy efficiency programs for the City's natural gas portfolio and retail customers;
  - Purchases or investment in cost effective renewable bio-gas resources for the City's gas portfolio;
  - Investment in other carbon reduction activities for the City's natural gas utility, including system maintenance or replacement to reduce fugitive gas emissions; and
  - Rebates to natural gas retail ratepayers provided on a non-volumetric basis.

## **BACKGROUND**

The Global Warming Solutions Act of 2006, also known as Assembly Bill (AB) 32, requires that California's GHG emissions in 2020 be at the same levels as that of year 1990, or an estimated 15% reduction compared to what emissions might otherwise have been in 2020. CARB was authorized to develop regulations to reach this goal, and the cap-and-trade program is one of several tools designed by CARB to achieve the desired GHG reduction goal. Under the terms of CARB's cap-and-trade program, an overall limit on GHG emissions from capped sectors of the state's economy was set and covered facilities subject to the cap are able to trade permits, or allowances, to emit GHGs up to the capped amount.

CARB's implementation of a cap-and-trade program started November 2012. The program was designed to phase in covered entities' participation over three 'compliance periods'. The first period (calendar years 2013 and 2014) included electric distribution companies. CARB has freely allocated allowances to CPAU for its electric utility. CPAU utilizes the proceeds from the sale of any allowances not used to meet its compliance obligation exclusively for the benefit of retail electric ratepayers, and consistent with the goals of AB 32.

The City's gas utility cap-and-trade compliance obligations are distinct from those made for the electric utility. The Council approved a policy on the use of electric utility allowance revenues in December 2012 (Staff Report [3342](#), Resolution [9307](#)).

Starting in 2015 when the second compliance period begins, the scope of the cap-and-trade program expands and natural gas suppliers become covered entities with a compliance obligation based on their retail gas sales. As was the case with the electric utility, CPAU will be freely allocated allowances for the gas utility for the purpose of mitigating the cost impact of cap-and-trade to retail customers. The volume of allowances provided by CARB, and available to be used directly to meet compliance obligations, is not anticipated to be enough to cover all of CPAU's gas utility GHG emissions. Therefore, unless CPAU is able to reduce emissions through energy efficiency or through the purchase of green gas, CPAU may have to purchase allowances to cover the balance of its needs. Similar to the electric utility, allowances allocated to the gas utility can be used directly to meet compliance obligations or consigned for sale in CARB auctions. The proceeds from auction sales must be used for the benefit of retail gas ratepayers and consistent with the goals of AB 32.

## **DISCUSSION**

Title 17 of the California Code of Regulations Sections 95893(b) and (c) offer publicly-owned natural gas utilities, such as CPAU, two options for the use of the allocated allowances:

1. Place allowances in their compliance accounts to meet compliance obligations derived from their gas retail sales.
2. Offer the allowances for sale at auction.

At least 25% of the allocated allowances must be made available for auction in 2015. This amount increases by 5% each year, up to 50% in 2020. CPAU will place a portion of the allocated allowances in its compliance account and make the remainder available for auction, starting in February 2015. Assuming a \$12/ton allowance auction price, CPAU's allocated allowances are estimated to have a market value of \$2 million per year in year 2015. Based on CARB's historical auction price data<sup>1</sup> and the design of the auction market, the value of the allocated allowances is expected to increase in value through year 2020, the last year of the regulatory period.

While the governing board of each gas utility is given some flexibility in determining how to utilize the allocated allowances and their value, the cap-and-trade program regulation does impose limitations. Specifically, Section 95893(d)(3) includes the following statement regarding the utilization of allowance sale proceeds by natural gas suppliers:

“Auction proceeds and allowance value obtained by a natural gas supplier shall be used exclusively for the benefit of retail ratepayers of each natural gas supplier, consistent with the goals of AB 32, and may not be used for the benefit of entities or persons other than such ratepayers. Any revenue returned to ratepayers must be done in a non-volumetric manner.”

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<sup>1</sup> <http://www.arb.ca.gov/cc/capandtrade/auction/auction.htm>

Starting in June 2016, CPAU will be required to report annually to CARB on the “disposition of any auction proceeds and allowance value from allowances from the previous budget year” (Sec. 95893(e)). The report must include the monetary value of auction proceeds received by CPAU and an explanation of how the use of auction proceeds complies with the requirements of the cap-and-trade regulation. Staff understands that CARB has the authority to revoke or revise the free allocations, if the regulations are not followed.

Proposed Amendments to the Existing Cap and Trade Policy to Cover the Use of Freely Allocated Allowances for the Gas Utility

Staff recommends the following amendments to the policy that comply with the regulation and minimizes any risk of future CARB action to rescind CPAU’s allowances or disallow funding of specific projects. The key points in the proposed policy include:

1. Abide by the regulatory requirement that auction proceeds be used exclusively for the benefit of retail ratepayers of the gas utility, consistent with the goals of AB 32, with allowable uses to include:
  - a) Investment in energy efficiency programs for the City’s gas retail customers. Examples of such programs include appliance upgrades and weatherization;
  - b) Purchasing or investment in cost effective renewable bio-gas resources for the City’s gas portfolio;
  - c) Investment in other carbon reduction activities for the City’s gas utility, such as system maintenance activities which minimize fugitive gas emissions and/or improve the monitoring of natural gas usage and losses; and
  - d) Rebates to the City’s gas retail ratepayers. Should credits to gas ratepayers be proposed, additional Council approval will be required. Such review would typically occur during the City’s annual budget adoption process.
2. Allow for the use of the allocated allowances to meet compliance obligations.
3. Show how the allowances and auction proceeds are being utilized to benefit the City’s gas utility ratepayers by:
  - a) Reporting annually to Council on allowance revenues and expenditures; and
  - b) Reporting annually to CARB on the use of allowances for compliance.

Staff intends to use allowance revenues for existing efficiency and other programs to the extent possible, or for direct rebates. Staff recommends against adopting new programs solely because these revenues are projected to become available; rather new programs should be adopted only if they are deemed to benefit gas ratepayers, regardless of whether revenue from allowance auctions is available to fund them. This strategy protects ratepayers in the event CARB changes the rules regarding the number of allowances allocated to gas utilities or the way allowances and allowance value may be used.

In accordance with CARB’s annual reporting requirements, staff will coordinate with the Administrative Services Department to set up a balancing or reserve account that will track the auction revenues received. CPAU will track the expenditures from the reserve account and ensure that they are consistent with the Cap-and-Trade Revenue Utilization Policy.

Staff will continue to monitor state proceedings on the use of auction proceeds and provide recommendations on changes to the Policy if further guidance from CARB and the state legislature is provided.

#### Proposed Rate Changes to Effect Cap-and-Trade Cost Recovery and Regulatory Compliance

Staff recommends introducing a variable rate component to the City's gas rates to reflect the cost of acquiring cap-and-trade compliance instruments sufficient to cover the compliance obligation that will begin on January 1, 2015. The rate, to be effective January 1, 2015, will reflect the most recent compliance instrument purchase cost, divided by projected sales for the upcoming quarter. Differences between actual and projected sales will be trued-up in the subsequent quarter's rate.

The Cap and Trade Compliance Charge shown on the proposed amended G-1, G-1-G, G-2, G-2-G, G-3 and G-3-G rate schedules (Attachment B) contains a range expected to be sufficient to cover the utility's cost of compliance. Staff based the range of \$0.00 to \$0.25 per therm on historical auction prices provided by CARB and staff's analysis of CPAU's recent emissions levels. The auction market has a floor price (or auction reserve price) which increases annually by the consumer price index (CPI) plus 5%. Historically, allowances have been trading and settling near the floor level (\$11.34 per metric ton in 2014).

#### Proposed Rate Changes for Bill Presentation Purposes

In addition, staff recommends combining the Administrative and Transportation rate components with the Distribution rate component. This cost-neutral change will simplify bill presentation. The Administrative rate component is currently \$0.0074/therm and the Transportation rate component is currently \$0.0435/therm, so these two rate components together comprise a small portion of the overall rate. The proposed changes remove those two rate component line items, adding those costs to the existing Distribution rate component.

For example, for Rate Schedule G-1, the Distribution Charge is currently \$0.3883/therm and \$0.9037/therm for Tier 1 and Tier 2, respectively. After eliminating the Administration and Transportation rate components, the Distribution Charge for Rate Schedule G-1 would be increased to \$0.4392/therm and \$0.9546/therm for Tier 1 and Tier 2, respectively, an increase of \$0.0509/therm (Administrative charge of \$0.0074/therm plus Transportation charge of \$0.0435/therm) for each tier.

#### **RESOURCE IMPACT**

The Fiscal Year (FY) 2015 budget includes projected allowance costs of approximately \$233,000 and revenues of approximately \$264,000. Since the program starts in January 2015 and only covers the second half of FY 2015, projections for FY 2016 are approximately double these amounts.

**ENVIRONMENTAL IMPACT**

The proposed recommendation to amend this City policy and amend the City's natural gas rate schedules to cover the cost of regulatory compliance is exempt from the California Environmental Quality Act, pursuant to California Public Resources Code section 21080(b)(8).

**ATTACHMENTS:**

- A. Proposed City Policy on the Use of Freely Allocated Allowances Under the State's Cap-and-Trade Program
- B. Utilities Rate Schedules G-1, G-1-G, G-2, G-2-G, G-3 and G-3-G in redline/strikeout format

**PREPARED BY:**

**ERIC KENISTON**, Resource Planner *E.K.*

**REVIEWED BY:**

**JON ABENDSCHEIN**, Senior Resource Planner

**JANE RATCHYE**, Assistant Director, Resource Management

**APPROVED BY:**

*Jane O. Ratchye for VOF*  
**VALERIE O. FONG**  
Director of Utilities

**EXHIBIT A TO RESOLUTION NO. \_\_\_\_\_**

**ADOPTED BY COUNCIL ON: \_\_\_\_\_**

**CITY OF PALO ALTO POLICY ON THE USE OF FREELY ALLOCATED ALLOWANCES UNDER THE STATE'S CAP-AND-TRADE PROGRAM**

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This Policy applies to freely allocated greenhouse gas (GHG) emission allowances from the California Air Resources Board (CARB) to the City of Palo Alto's electric and natural gas distribution utilities ("Allocated Allowances"). The City Manager or his designee is authorized to use Allocated Allowances and any resulting revenue in any lawful manner consistent with this policy.

**The City's Policy on the Use of Freely Allocated Allowances for the Electric Utility is as follows:**

1. The City shall abide by CARB's regulations by using the auction proceeds and allowance value obtained from the City's allocated allowances for the exclusive benefit of the City's electric retail ratepayers, consistent with the goals of the Global Warming Solutions Act, also known as Assembly Bill 32 (AB 32), and not for the benefit of entities or persons other than such ratepayers.
2. The following uses of the City's auction proceeds are permitted:
  - a) Purchases or investment in renewable resources (outside Palo Alto or locally) for the electric portfolio;
  - b) Investment in energy efficiency programs for the electric portfolio and retail customers;
  - c) Investment in other carbon reduction activities, including those required to achieve a carbon-neutral electric portfolio; and
  - d) Rebates to electric retail ratepayers.
3. Allocated allowances may also be used to meet the City's electric utility's compliance obligations for electricity scheduled into the California Independent System Operator Markets, should state law eventually permit this action.
4. Council will receive annual reports on the allowance revenues and expenditures associated with complying with CARB regulations and this policy.
5. Additional Council approval will be required for any rebates to electric ratepayers proposed under this Policy.

**The City's Policy on the Use of Freely Allocated Allowances for the Gas Utility is as follows:**

1. The City shall abide by CARB's regulations by using the auction proceeds for the exclusive benefit of the City's natural gas retail ratepayers, consistent with the goals of

**EXHIBIT A TO RESOLUTION NO. \_\_\_\_\_**

**ADOPTED BY COUNCIL ON: \_\_\_\_\_**

**CITY OF PALO ALTO POLICY ON THE USE OF FREELY ALLOCATED ALLOWANCES  
UNDER THE STATE'S CAP-AND-TRADE PROGRAM**

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the Global Warming Solutions Act, also known as Assembly Bill 32 (AB32), and not for the benefit of entities or persons other than such ratepayers.

2. A portion of the Allocated Allowances can be used to meet the City's natural gas utility's compliance obligations, and the remaining Allocated Allowances will be consigned to auction.
3. The following uses of the City's auction proceeds from the sale of Allocated Allowances are permitted:
  - a. Investment in energy efficiency programs for the natural gas portfolio and retail customers;
  - b. Purchases or investment in cost effective renewable bio-gas resources for the gas portfolio;
  - c. Investment in other carbon reduction activities for the natural gas utility, including system maintenance or replacement to reduce fugitive gas emissions;
  - d. Rebates to natural gas retail ratepayers. Rebates, if provided, must be allocated on a non-volumetric basis as stated in Title 17 CCR Section 95893 (d)(3).
4. Council will receive annual reports on the use of Allocated Allowances, including the use of auction revenues and expenditures associated with complying with CARB regulations and this policy.
5. Additional Council approval will be required for any rebates to natural gas ratepayers proposed under this policy.

ATTACHMENT 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. s~~Separately-metered single-family residential ~~Customers dwellings receiving natural gas service from the City of Palo Alto Utilities.~~
- ~~1.2.~~ This schedule also applies to individually ~~Separately~~-metered multi-family residential ~~Customers dwellings~~ in a multi-family residential facilities ~~complex~~.

B. TERRITORY:

This schedule applies anywhere the City of Palo Alto provides ~~natural g~~Gas ~~S~~service.

C. UNBUNDLED RATES:

Per Service

Monthly Service Charge: .....\$9.88

Tier 1 Rates:

Per Therm

Supply Charges:

- 1. Commodity (Monthly Market Based)..... \$0.10-\$2.00
- 2. ~~Cap and Trade Administrative~~Compliance Charge ..... ~~\$0.00-~~  
\$0.~~25~~0074
- ~~3. Transportation .....~~ ~~\$0.0435~~

Distribution Charge:.....\$0.~~3883~~4392

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

Supply Charges:

- 1. Commodity (Monthly Market Based)..... \$0.10-2.00
- 2. ~~Cap and Trade Administrative~~Compliance Charge ..... ~~\$0.00-~~  
\$0.~~25~~0074
- ~~3. Transportation .....~~ ~~\$0.0435~~

Distribution Charge:.....\$0.~~9037~~9546

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Supersedes Sheet No G-1-1 dated ~~7~~1-1-201~~23~~

Effective ~~1x~~-1-201~~35~~  
Sheet No G-1-1

**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, accounting for delivery losses to the Customer's Mmeter. 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 Commodity and Cap and Trade Compliance Charges will fall within the minimum/maximum ranges set forth in Section C.

**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}*

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Supersedes Sheet No G-1-2  
dated ~~7~~1-1-201~~2~~3



CITY OF PALO ALTO  
**UTILITIES**

Effective ~~1~~x-1-201~~3~~5  
Sheet No G-1-2

**RESIDENTIAL GREEN GAS SERVICE**

UTILITY RATE SCHEDULE G-1-G

**A. APPLICABILITY:**

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

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: .....\$9.88

Tier 1 Rates:

Per Therm

Supply Charges:

- |   |  |
|---|--|
| 1. Commodity (Monthly Market Based).....                            | \$0.10-\$2.00                                |
| 2. <del>Administrative</del> Cap and Trade Compliance Charges ..... | <del>\$0.00-\$0.25</del> <del>\$0.0074</del> |
| 3. <del>Transportation</del> .....                                  | <del>\$0.0435</del>                          |

Distribution Charge:.....\$0.~~3883~~4392

PaloAltoGreen Gas Charge..... \$0.1200

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

Supply Charges:

- |   |  |
|---|--|
| 1. Commodity (Monthly Market Based).....                            | \$0.10-2.00                                  |
| 2. <del>Administrative</del> Cap and Trade Compliance Charges ..... | <del>\$0.00-\$0.25</del> <del>\$0.0074</del> |
| 3. <del>Transportation</del> .....                                  | <del>\$0.0435</del>                          |

Distribution Charge:.....\$0.~~9037~~9546

PaloAltoGreen Gas Charge..... \$0.1200

**D. SPECIAL NOTES:**

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**CITY OF PALO ALTO UTILITIES**

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**UTILITIES**

Effective ~~71~~-1-20145  
New Sheet No **G-1-G-1**

## RESIDENTIAL GREEN GAS SERVICE

### UTILITY RATE SCHEDULE G-1-G

#### 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 **T**axes. On a Customer's bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

The Commodity **e**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 **M**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 Commodity **and Cap and Trade Compliance C**harges will fall within the minimum/maximum ranges set forth in Section C.

#### 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.

#### 4. PaloAltoGreen Gas Program Description and Participation

PaloAltoGreen Gas provides for the reduction of green-house gas (GHG) emissions associated with a Customer's Gas usage, through the purchase of certified environmental offsets, with a preference to projects located in California. Purchases are made to match

**RESIDENTIAL GREEN GAS SERVICE**

**UTILITY RATE SCHEDULE G-1-G**

100% of the therm usage at the Customer's premises every month.

Customers choosing to participate shall fill out a PaloAltoGreen Gas Program application provided by the Customer Service Center.

*{End}*



**RESIDENTIAL MASTER-METERED AND COMMERCIAL GAS SERVICE**

UTILITY RATE SCHEDULE G-2

**A. APPLICABILITY:**

This schedule applies to ~~the following non-residential~~ 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.
- ~~1.2. \_\_\_\_\_ a single address. This schedule also applies to M~~master-metered residential ~~Customers~~services in multi-family residential facilities.

**B. TERRITORY:**

This schedule applies anywhere the City of Palo Alto provides ~~natural g~~Gas ~~s~~Service.

**C. UNBUNDLED RATES:**

Per Service

Monthly Service Charge: .....\$74.86

Per Therm

Supply Charges:

- 1. Commodity (Monthly Market Based)..... \$0.10-\$2.00
- 2. ~~Administrative Cap and Trade Compliance Charges~~ .....~~\$0.00740.00-~~  
0.25
- ~~3. Transportation..... \$0.0435~~

Distribution Charge: .....\$0.~~56386147~~

**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 ~~e~~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 Mmeter. 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

**CITY OF PALO ALTO UTILITIES**

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**RESIDENTIAL MASTER-METERED AND COMMERCIAL GAS SERVICE**

**UTILITY RATE SCHEDULE G-2**

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 Commodity and Cap and Trade Compliance Charges will fall within the minimum/maximum ranges set forth in Section C.

*{End}*

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*Supersedes Sheet No G-2-2  
dated 7-1-2012*

Effective 1-1-2013~~5~~  
Sheet No **G-2-2**

**RESIDENTIAL MASTER-METERED AND COMMERCIAL GREEN GAS SERVICE**

UTILITY RATE SCHEDULE G-2-G

**A. APPLICABILITY:**

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

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

**B. TERRITORY:**

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

**C. UNBUNDLED RATES:**

**1. 100% Renewable/Full Green option: Per Service**

Monthly Service Charge: .....\$74.86

Per Therm

Supply Charges:

- |   |                              |
|---|------------------------------|
| 1. Commodity (Monthly Market Based).....                            | \$0.10-\$2.00                |
| 2. <del>Administrative Cap and Trade Compliance Charges</del> ..... | <del>\$0.00-0.250.0074</del> |
| 3. <del>Transportation</del> .....                                  | <del>\$0.0435</del>          |

Distribution Charge: .....\$0.~~56386147~~

PaloAltoGreen Gas Charge..... \$0.1200

**2. 100 Therm block option: Per Service**

Monthly Service Charge: .....\$74.86

Per Therm

Supply Charges:

- |  |                              |
|--|------------------------------|
| 1. Commodity (Monthly Market Based).....                                       | \$0.10-\$2.00                |
| 2. <del>Cap and Trade Compliance Charges</del> <del>Administrative</del> ..... | <del>\$0.00-0.250.0074</del> |
| 3. <del>Transportation</del> .....   | <del>\$0.0435</del>          |

Distribution Charge: .....\$0.~~56386147~~

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Effective ~~17-1-2015~~  
New Sheet No **G-2-G-1**

**RESIDENTIAL MASTER-METERED AND COMMERCIAL GREEN GAS SERVICE**

UTILITY RATE SCHEDULE G-2-G

PaloAltoGreen Gas Charge (per 100 therm block)..... \$12.00

**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 **T**axes. On a Customer’s bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

The Commodity **e**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 **m**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 Commodity **and Cap and Trade Compliance C**harges will fall within the minimum/maximum ranges set forth in Section C.

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

**3. PaloAltoGreen Gas Program Description and Participation**

PaloAltoGreen Gas provides for the reduction of green-house gas (GHG) emissions associated with a Customer’s gas usage, through the purchase of certified environmental offsets, with a preference to projects located in California. Purchases are made to match 100% of the therm usage at the Customer’s facility every month (the 100% Renewable/Full Green option), or in 100 therm blocks.

Customers choosing to participate shall fill out a PaloAltoGreen Gas Program application provided by the Customer Service Center.

**RESIDENTIAL MASTER-METERED AND COMMERCIAL GREEN GAS SERVICE**

UTILITY RATE SCHEDULE G-2-G

*{End}*

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council



CITY OF PALO ALTO  
**UTILITIES**

Effective 17-1-2015  
New Sheet No **G-2-G-3**

**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. large-c Commercial Customers who use at least 250,000 therms per year at one site.
- ~~2. Customers and~~ 2. City-owned generation facilities.

**B. TERRITORY:**

This schedule applies anywhere the City of Palo Alto provides natural gas service.

**C. UNBUNDLED RATES:**

Per Service

Monthly Service Charge: \$361.18

Per Therm

Supply Charges:

- 1. Commodity (Monthly Market Based)..... \$0.10-\$2.00
- 2. ~~Administrative~~ Cap and Trade Compliance Charges ..... \$~~0.00740.00-0.25~~
- 3. ~~Transportation~~ ..... \$0.0435

Distribution Charge: .....\$~~0.55626071~~

**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 ~~t~~Taxes. On a Customer’s bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

The Commodity ~~C~~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 ~~m~~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

**CITY OF PALO ALTO UTILITIES**

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CITY OF PALO ALTO  
**UTILITIES**

## LARGE COMMERCIAL GAS SERVICE

### UTILITY RATE SCHEDULE G-3

Compliance Charge will change in response to changing market conditions, retail sales volumes and the quantity of allowances required. The Commodity and Cap and Trade Compliance charges will fall within the minimum/maximum ranges set forth in Section C.

#### 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 Alto full-service rate schedule. Customers served under this rate schedule may elect Gas Direct Access at any time.

*{End}*

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### CITY OF PALO ALTO UTILITIES

Issued by the City Council

Supersedes Sheet No G-3-2  
dated 7-1-2012



CITY OF PALO ALTO  
UTILITIES

Effective 1-1-201~~5~~<sup>3</sup>  
Sheet No G-3-2

**LARGE COMMERCIAL GREEN GAS SERVICE**

UTILITY RATE SCHEDULE G-3-G

**A. APPLICABILITY:**

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

- 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:**

<b>1. 100% Renewable/Full Green option:</b>	<u>Per Service</u>
Monthly Service Charge:	\$361.18
	<u>Per Therm</u>
Supply Charges:	
1. Commodity (Monthly Market Based).....	\$0.10-\$2.00
2. <del>Cap and Trade Compliance Charges Administrative</del> .....	<del>\$0.00740.00-0.25</del>
3. <del>Transportation</del> .....	<del>\$0.0435</del>
Distribution Charge: .....	\$0. <del>55626071</del>
PaloAltoGreen Gas Charge:.....	\$0.1200
<b>2. 100 Therm block option:</b>	<u>Per Service</u>
Monthly Service Charge:	\$361.18
	<u>Per Therm</u>
Supply Charges:	
1. Commodity (Monthly Market Based).....	\$0.10-\$2.00
2. <del>Cap and Trade Compliance Charges Administrative</del> .....	<del>\$0.00-0.250.0074</del>
3. <del>Transportation</del> .....	<del>\$0.0435</del>
Distribution Charge: .....	\$0. <del>55626071</del>
PaloAltoGreen Gas Charge (per 100 therm block):.....	\$12.00

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**CITY OF PALO ALTO UTILITIES**

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CITY OF PALO ALTO  
**UTILITIES**

Effective ~~17-1-2015~~  
New Sheet No **G-3-G-1**

# LARGE COMMERCIAL GREEN GAS SERVICE

## UTILITY RATE SCHEDULE G-3-G

### 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, accounting for delivery losses to the Customer's mMeter. 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 Commodity and Cap and Trade Compliance Ccharges will fall within the minimum/maximum ranges set forth in Section C.

#### 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. PaloAltoGreen Gas Program Description and Participation

PaloAltoGreen Gas provides for the reduction of green-house gas (GHG) emissions associated with a Customer's gas usage, through the purchase of certified environmental offsets, with a preference to projects located in California. Purchases are made to match 100% of the therm usage at the Customer's facility every month, (the 100% Renewable/Full Green option), or in 100 therm blocks.

Customers choosing to participate shall fill out a PaloAltoGreen Gas Program application provided by the Customer Service Center.

*{End}*

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**CITY OF PALO ALTO UTILITIES**

Issued by the City Council



Effective 17-1-20154  
New Sheet No **G-3-G-2**