

# Gas Utility Financial Plan and Proposed Rate Changes

Finance Committee

May 15, 2018

# Updated Overall Rate Projections

		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Electric Utility		6%	3%	2%	0%	1%
Gas Utility <sup>1</sup>		4%	8%	7%	8%	4%
Wastewater		11%	12%	10%	6%	4%
Water Utility		3%	4%	4%	4%	4%
Refuse		-	3%	3%	3%	3%
Storm Drain <sup>2</sup>		2.9%	2%to3%	2%to3%	2%to3%	2%to3%
Bill Change <sup>3</sup>	(%)	4%	5%	5%	4%	3%
	(\$/mo)	\$11.02	\$14.54	\$13.75	\$11.11	\$10.76

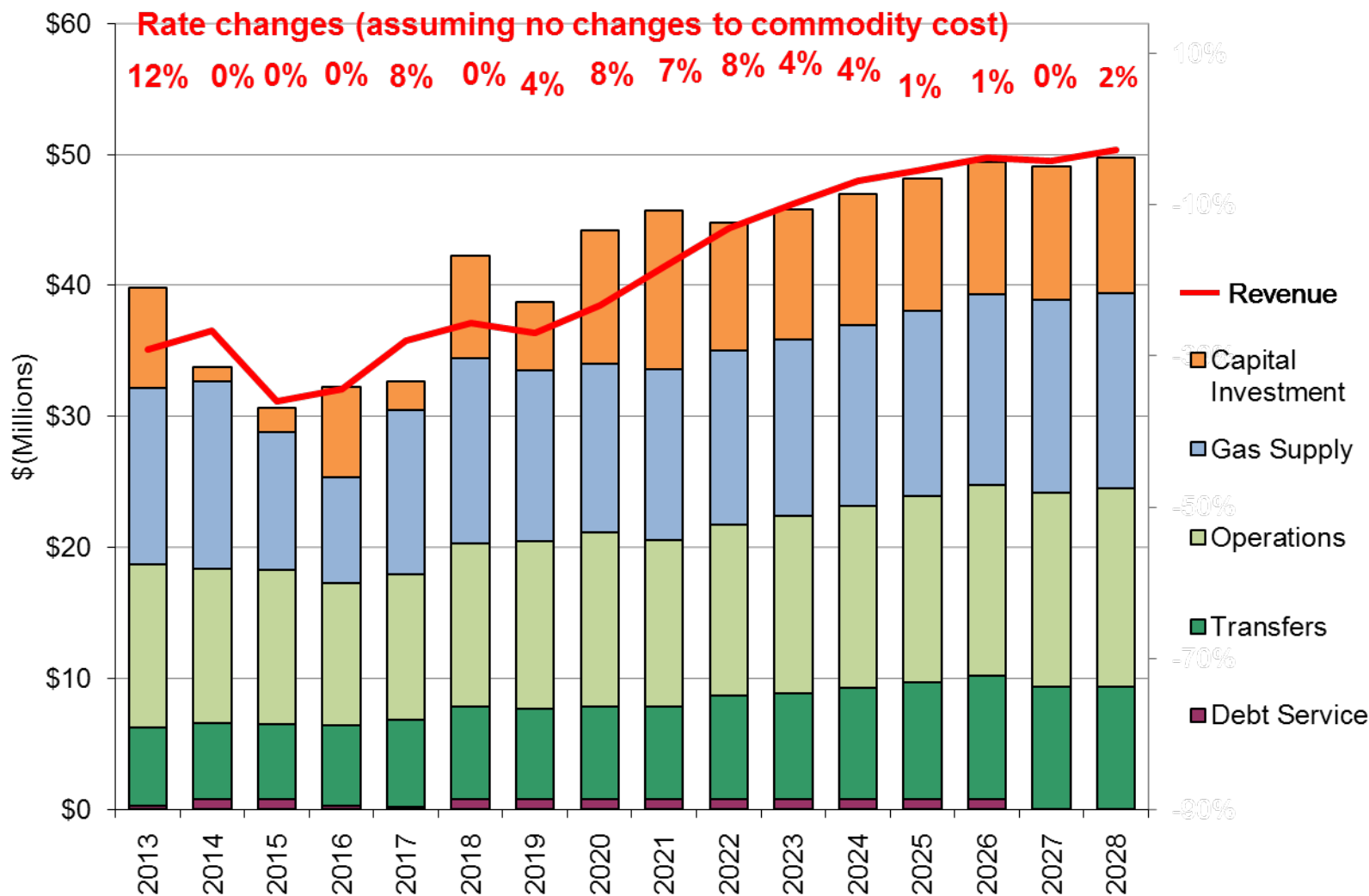
*(1) Gas rate changes are shown with commodity rates held constant. Actual gas commodity rates will vary monthly with wholesale market fluctuations*

*(2) Storm Drain Rates increase annually by CPI*

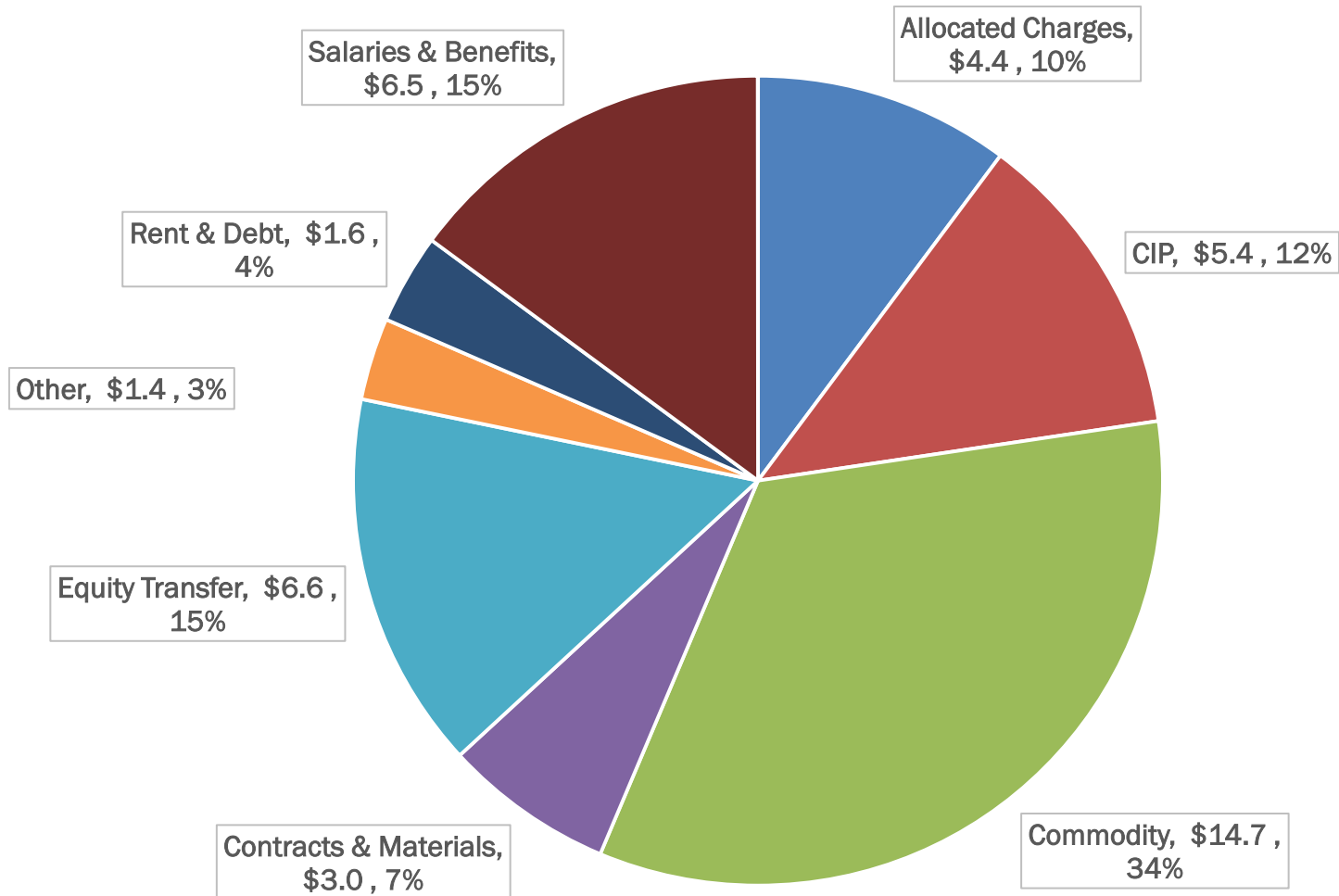
*(3) Median residential bill is \$273.56 as of July 1, 2017 (does not include UUT)*

# Gas Utility

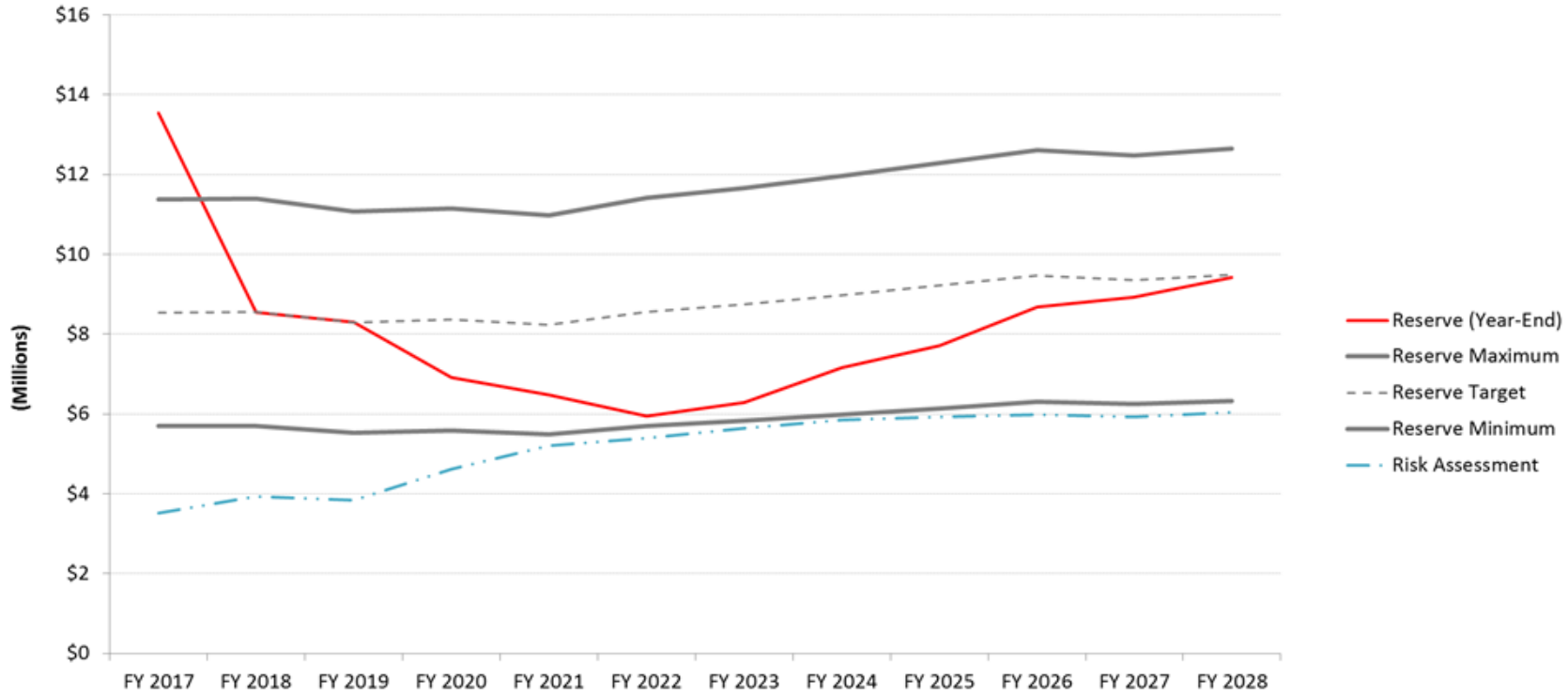
# FY 2019-2028 Cost Projections



## FY 2019 Gas Budget: \$37.9M Rev & \$43.5M Exp



# Operations Reserve



# Ongoing Cost Containment

- Consistent with newly approved Utilities Strategic Plan, cost containment is being instituted as an ongoing priority and annual cycle
  - Fall completion of preliminary out-year rate forecasts
  - Review by all Divisions for alignment of multiyear strategies
- Ongoing management review of personnel transactions
  - Review/revision of position classifications to match evolving needs
  - Addition/Deletion of positions to reflect organizational priorities
  - Review/approval to fill individual position vacancies in conjunction with ASD Budget Office and Human Resources
- Regular review of performance metrics and expenditures

# Current Bill Comparisons

## Residential

Season	Usage (therms)	Palo Alto	PG&E Zone X	% Difference
Winter (February 2018)	30	36.93	42.39	-12.9%
	(Median) 54	58.21	76.31	-23.7%
	80	94.20	126.58	-25.6%
	150	193.98	264.07	-26.5%
Summer (July 2017)	10	18.73	13.01	44.0%
	(Median) 18	25.45	23.41	8.7%
	30	40.57	45.24	-10.3%
	45	61.26	72.72	-15.8%

## Commercial

Usage (therms/mo)	Gas Bill (\$/month)		% Difference
	Palo Alto	PG&E	
500	613	600	2%
5,000	5,430	5,242	4%
10,000	10,781	9,211	17%
50,000	53,493	42,036	27%

# Recommendation

**That the Finance Committee recommend that the Council:**

- Adopt a resolution approving the FY 2019 Gas Utility Financial Plan; and
- Adopt a resolution increasing gas rates by amending Rate Schedules G-1 (Residential Gas Service), G-2 (Residential Master-Metered and Commercial Gas Service), G-3 (Large Commercial Gas Service), and G 10 (Compressed Natural Gas Service Service).