

PUBLIC WORKS AND UTILITIES COMMITTEE

09-0579R

RESOLUTION ESTABLISHING NATURAL GAS RATES FOR INTER-RUPTIBLE TRANSPORTATION SERVICE AND RESCINDING RATES FOR FIRM TRANSPORTATION SERVICE EFFECTIVE WITH METER READINGS AFTER SEPTEMBER 30, 2009.

CITY PROPOSAL:

RESOLVED, effective with the natural gas readings after September 30, 2009, all customers of the city's natural gas utility, whose natural gas supply is measured by meter, and purchased from a third party and transported through the utility's distribution system, shall be charged for such service in accordance with the schedule of rates established by this resolution as follows:

(a) For the initial year of such service:

Small volume commercial industrial users-\$40/month +  
\$0.1881/100 cu.ft. of gas transported;

Large volume commercial industrial users-\$450/month +  
\$0.1661/100 cu.ft. of gas transported;

(b) After the initial year of such service:

Small volume commercial industrial users-\$40/month +  
\$0.1341/100 cu.ft. of gas transported;

Large volume commercial industrial users-\$450/month +  
\$0.1121/100 cu.ft. of gas transported;

(c) Purchased gas adjustment (PGA) does not apply to these classes of service;

(d) The categories for firm transport services and charges related thereto provided for in Resolution 06-0617, as amended by Resolution 06-0877 shall be of no further effect after September 30, 2009.

RESOLVED FURTHER, that the interruptible transportation - commercial/industrial service tariff is on file in the office of the city clerk as Public Document No. \_\_\_\_\_.

Approved:

\_\_\_\_\_  
Department Director

Approved as to form:

\_\_\_\_\_  
Attorney

PWU/ATTY      REA:cjk      9/4/2009

Approved for presentation to council:

\_\_\_\_\_  
Chief Administrative Officer

Approved:

\_\_\_\_\_  
Auditor

STATEMENT OF PURPOSE: This resolution adjusts charges for natural gas transportation customers to account for inflation, reserved pipeline capacity costs, and line losses. The adjustments are necessary to reflect actual costs incurred by the natural gas utility for transport customers.

Long term contracts for pipeline capacity to transport natural gas to Duluth are in place to provide a reliable supply of natural gas to customers. When a customer switches from "full service" to "transport service" the gas utility's pipeline capacity for that customer is not used and must be resold at a discount until new customers are added and the spare pipeline capacity is used. The initial year interruptible transport rate includes a charge to the transport customer for this abandoned pipeline capacity. After one year the transport customer is no longer charged for abandoned pipeline capacity.

This resolution will also eliminate two firm transportation rate categories and add two interruptible transportation rate categories. These interruptible rates will provide the gas utility with more flexibility in dealing with unexpected system upsets and flow disruptions.

The last rate increase for operating expenses occurred in 2006. There are currently two customers currently in the firm transport classification and they will be given notice that they will be placed into the interruptible transport classification upon approval of the new gas rates.