



## **AGENDA MEMORANDUM**

First Reading Ordinance for City Council Meeting of March 23, 2021  
Second Reading Ordinance for City Council Meeting of March 30, 2021

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**DATE:** March 23, 2021

**TO:** Peter Zaroni, City Manager

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<b>Ordinance Adjusting Natural Gas Rates for Residential Class Customers</b>
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**CAPTION:**

Ordinance amending the Code of Ordinances, Chapter 55, Utilities, Section 55-61 (a.)(1&2) regarding classification of customers and schedules of rates in order to mitigate the gas bills from February's extreme weather event for residential customers effective June 1, 2021.

**SUMMARY:**

The cold weather event that occurred in February will have an impact on utility bills for the City of Corpus Christi's residential gas customers. From February 12, 2021 to February 19, 2021, the cost of gas jumped from an average monthly price of \$4.09 per one thousand cubic feet (mcf) the week prior to over \$100 per mcf for several days. To put this into perspective, this price increase has led our resident's cost for natural gas to surge from slightly over one million in January to nearly tens of millions in February.

Customers who used more mcf of gas in February will see that increased consumption on their March utility bill. The cost that the City incurs for gas is recovered in the following month's billing cycle through the Purchased Gas Adjustment (PGA) Rate. However, the 2600% increase in the February's PGA has led the City staff to explore alternate pricing measures to recoup the cost from gas customers.

Based on preliminary data, this surge in gas costs, without intervention, would cause the average residential customer's gas bill during this extreme cold weather event to reach

an estimated \$600 as compared to \$30 during routine weather. For customers that used generators and/or gas heaters, the bill would be above \$2,000 without intervention as opposed to \$120 during routine weather.

### **BACKGROUND AND FINDINGS:**

The City's Gas Ordinance requires that all costs borne by gas operations be recouped by the City. The Gas Department desires to comply with City Ordinances while also smoothing the financial burden this action will place on our customers. To accomplish this, City staff proposes the Ordinance be amended in order to implement the following Gas Utility Mitigation Program (GUMP) for residential customers:

- **Beginning June 1, 2021**
  - a. The minimum monthly cost of service charge will increase from \$11.65 to approximately \$18.60
  - b. The gas volume included in the minimum bill will increase from 1 to 2 MCF free of charge.
  - c. The cost of service volume charge will be set to a fixed rate of \$2.25 per MCF
  - d. Remaining finance costs of the unpaid balance not paid through the cost of service rate adjustment will be recovered through future PGA rates. The monthly increase to the PGA will vary but is not expected to exceed \$1.50 per MCF.

### **ALTERNATIVES:**

Not adopting the GUBM plan will lead to residential gas customers experiencing negative financial impacts from the gas price surge as a result of the extreme weather event.

### **FISCAL IMPACT:**

Bill mitigation will increase revenue to cover costs related to payment of natural gas supply during the February 2021 extreme weather event.

### **RECOMMENDATION:**

City staff recommends adoption of the amendment to the Code of Ordinances

### **LIST OF SUPPORTING DOCUMENTS:**

Residential GUMP Presentation  
Ordinance Amendment – Gas Rate Schedule