

DATE: *July 1, 2021*
TO: Mayor and City Council
FROM: Assistant City Manager
SUBJECT: Natural Gas Utility
Commercial Customer Service Fee



RECOMMENDED ACTION

Adopt the attached Gas Utility ordinance establishing a commercial class monthly customer service fee of \$35 and include previously-adopted residential fee of \$17 per month.

BUDGET IMPACT

The customer service charges meant to recapture the administrative and overhead costs of delivering fuel to the larger customers is largely inconsequential to the scale of consumption. Revenues associated with the designation are expected to increase slightly, but reflective of the small amount of commercial and industrial development in the city.

DISCUSSION

Commercial, industrial and residential customers currently are charged the same customer service fees of \$17 per account. While, many of our commercial accounts have similar facilities as that of a residential gas user, their service demands and support required, including compliance effort can exceed that of a typical single-family residential house.

Sugar Hill averages 11,500 billed accounts per month in our system. A small percentage of those are commercial, industrial or multi-family uses. These users have facilities that sometimes require larger meters and involve different equipment associated with those meter arrangements and demands on field staff checking them. In order to properly allocate the costs for these services at their source, we are recommending designating these uses under a "Commercial" customer service fee as described in the attached ordinance. The remaining rates remain unchanged for a commercial bill.

That fee structure is recommended to have a corresponding customer service charge of double that of a single-family home and be set at \$35 per month.

Attachment

[ARTICLE III. GAS UTILITY]

Section 74-54. Gas rates.

- (a) All residential customers shall be charged a base rate of \$~~13~~17.00 per month and commercial customers \$35.00 per month regardless of the amount of natural gas consumed by the customer plus any applicable state and local taxes. This base charge recovers the cost of staffing to provide services such as rendering a bill, explanation of bill and other operating expenses, meter-reading, customer service, and other costs associated with delivering natural gas to your home.
- (b) The rate to be charged to the customer per MCF shall be calculated by averaging the amount per MCF shown on the Billing Rate Notice from the Municipal Gas Authority of Georgia to the city for the preceding month with the amount per MCF shown on the Billing Rate Notice from the Municipal Gas Authority of Georgia to the City for the current month and adding \$1.00 per MCF to that average rate. Example (Residential Shown):
- (1) Rate for preceding month from Billing Rate Notice: \$8.00 per MCF;
 - (2) Rate for current month from Billing Rate Notice: \$12.00 per MCF;
 - (3) Rate for current month for customer: $\$8.00 + \$12.00 \div 2 = \$10.00$ per MCF + \$1.00 per MCF = \$11.00 per MCF plus base rate of \$~~13~~17.00 and any applicable state and local taxes.
- (c) Each year the City Council shall set as part of the City's Annual Budget an anticipated revenue figure for its gas system. This anticipated revenue figure shall be sufficient to cover that year's anticipated expenses for the gas system and transfers to the general fund. Once revenue from the gas system has reached the anticipated revenue figure, the rate to calculate the monthly gas bill shall be altered for the remainder of that calendar year. The formula shall be altered in the following manner: reduce the \$1.00 per MCF charge to \$0.50 (fifty cents) per MCF. Example:
- (1) Anticipated Revenue: \$1,000,000.00;
 - (2) Revenue reached as of October 1: \$1,000,000.00 and actual expenditures have not exceeded the budgeted amount;
 - (3) New gas formula for the months of November and December: Preceding month: \$8.00 per MCF
Current month: \$12.00 per MCF
Rate of current month: $\$8.00 + \$12.00 \div 2 = \$10.00$ per MCF + \$0.50 per MCF = \$10.50 per MCF plus base rate ~~of \$13.00~~ and any applicable state and local taxes.

- (d) The rate charged to customers residing inside the municipal boundaries of the city and to customers residing outside of the municipal boundaries of the city shall be the same. This section shall not change or have any effect on any other administrative or operational fees presently charged by the City in connection with natural gas consumption including, but not limited to, cut off fees, reconnection fees, deposits or other such charges.