

Gas Committee Meeting – December 09, 2019

The Gas Committee of the City of Aledo met in Open Session in the Council Chambers of the City Hall building on December 09, 2019. Gas Committee Chairmen TERRY BEWLEY called the meeting to order at 6:15 P.M. The roll was called, whereupon the following committee members answered present:

Aldermen TERRY BEWLEY, BARRY COOPER, DENNIS DIXON, and CHRIS KOPP. MAYOR HAGLOCH.

Also present were ILA BERTRAND, Alderman, MICHAEL CHAUSSE, Alderman, JIM HOLMES, Alderman, LINDA SARABASA, Alderman, JUSTIN BLASER, Director of Public Works, and JAROD DALE, City Clerk.

The following was discussed:

Approval of Minutes: Motion was made by ALD. KOPP and seconded by ALD. DIXON to approve the Gas Committee minutes of 08/26/19 as presented. A Unanimous voice vote followed in agreement.

Old Business: No Report.

New Business: *Discussion on an Ordinance Amending in Part Title 8, Chapter 13 of the City Code for the City of Aledo regarding Natural Gas Rates:*

ALD. Bewley turned the meeting over to Darin Houchin, USDI. Darin Houchin noted the City has had a fixed rate for almost 10 years. That is the only revenue mechanism the City currently has. The rate has been \$6.90 per month for the 1st 1,000 cubic feet and \$6.90 per 1,000 cubic feet thereafter. Darin Houchin reported, you would typically set a distribution charge (fixed cost each month), & charge a small amount above that each month. This gives you a predictive revenue stream. If the price is adjusted this would be changed to a better rate making platform.

FINANCE DIRECTOR Parchert provided a chart providing a gas fund analysis – cash basis. There was a 3% inflation for wages and operating costs. Historically average 1.5 million dollars a year. Projected out 2020 to 2023 was projected at that 1.5 million then. We typically spend 52,000 on various capital expenditures, i.e. meters. Using that, the blue bars are the total revenue, the purple bar is the cost of gas alone, the red bar is the cost of operations, and green bar cash balance at the end of year. Last 3 or 4 years, the cash has been pretty steady. It is going down a little because of capital projects. The projections for the next 2 to 3 years are going down to pay down the loan. So, in 2023, it is projected to be at a negative cash position.

The second (2nd) chart, projected revenue includes facility charge of \$12 with \$2.50 distribution charge.

A third (3rd) chart, projected revenue includes facility charge of \$14 with \$2.50 distribution charge. *noted by FINANCE DIRECTOR Parchert to recommend approval of this particular charge.

ALD. Bewley noted we could also adjust our rates down if needed. The new rates would reflect current gas rates.

Typically, most companies break even on gas and is very transparent, per Darin Houchin. He also noted in the projections it is not taking into count if gas costs go above distribution charge.

ALD. Bewley suggested the City consider the higher-end of \$14 facility charge. Before the city sets this in concrete, GAS Superintendent Korn was asked what projects in the future he sees coming. Korn noted big project in SW section, boiler, etc. are some things he sees will need addressed in the future. FINANCE DIRECTOR Parchert noted from CIP, the gas fund was budgeted 140,000 of projects. 2021 – \$550,000 worth of projects, 2022 – 2024 projected around \$150,000.

Darin Houchin reported that the intent during discussions with the City were that the rates are not being increased but it is more a structure change. The Committee noted when prices change the cost increase could be pointed towards someone else and not the City because we are managing by the price of gas. Changing this to the structure presented by Darin, this structure is like all other utility companies in the US.

Also, additional regulations being required by ICC could be coming down the road that will be something the city to invest. Everything is going digital and not paper like the City is currently documenting with. You may have to lower the MOP and put in bigger pipes. ICC transitions to more of the expensive side.

Also, in the ordinance put something in there that people cannot turn off the gas in the summer because that would be a burden to Don. Every utility that has this current rate structure has this in it. Sullivan to address that issue with the attorney and request Darin provide input on the drafting of the ordinance as well.

ALD. Cooper inquired if the City could charge a \$10 facility charge instead. MAYOR Hagloch and FINANCE DIRECTOR Parchert noted that would not work. Darin Houchin noted you could do that but your distribution charge may need to increase.

Consensus by all attendees to move to the new rate structure presented in Chart 3 with a \$14.00/facility charge; \$2.50/Distribution charge plus the current gas rate each month. CITY ADMINISTRATOR Sullivan to contact CITY ATTORNEY Walton to draft a new ordinance and have the item presented to the Aledo City Council.

Other: The Committee inquired if the gas division had any concerns regarding pressure for the gas system. No, Gas Superintendent Korn stated. Once the loop project was installed in past the pressure was not a concern. Don noted all the major loads are out east and are good there.

Also, City staff is working with Badger Meter to review new ways the City will be able to capture information from the meters and is something that will have to be addressed in the future. The system we have in place now is becoming out dated.

ADJOURNMENT: There being no further business, motion was made by ALDERMAN KOPP and seconded by ALDERMAN DIXON that the meeting be adjourned. Unanimous voice vote followed in agreement. Meeting was adjourned at 7:06 P.M.

Jarod M. Dale, City Clerk