



## **Audit, Finance and Enterprise Committee Report**

**Date:** June, 26, 2025

**To:** Audit, Finance and Enterprise Committee Report

**Through:** Marc Heirshberg, Assistant City Manager  
Michael Kennington, Deputy City Manager/Chief Financial Officer

**From:** Scott Bouchie, Energy Resources and Sustainability Director  
Anthony Cadorin, Energy Resources Program Manager

**Subject:** City of Mesa Natural Gas “TRANSPORTATION GAS SERVICE” Rate  
Schedule Revisions  
Citywide

### **Purpose and Recommendation**

The City of Mesa (“Mesa”) Energy Resources Department recommends that the City Council approve revisions to the TRANSPORTATION GAS SERVICE (G6.3, GM6.3, G7.4, GM7.4, G7.6, GM7.6, G8.3, GM8.3, G9.3, GM9.3) rate schedule (“Transportation Rate”) as described in Attachment 1. The Transportation Rate was recently revised to better accommodate large natural gas transportation customers (customers who are responsible for procuring their own natural gas commodity and interstate transmission), however, Mesa noted several areas within the revised Transportation Rate that lacked clarity and accuracy and so is revising the Transportation Rate to better reflect how natural gas is scheduled on the Kinder Morgan El Paso Natural Gas transmission system (“EPNG”).

### **Background**

Mesa operates a natural gas utility that provides service to two major service areas: 1) the City area which is approximately 90-square miles primarily within City limits, and 2) the Magma area which is approximately 236-square miles located southeast of the City in Pinal County. Mesa’s combined natural gas system is comprised of 1,614 miles of distribution mains<sup>1</sup> and serves 79,663 customers<sup>2</sup>.

A natural gas “transportation customer” is a customer who is responsible for purchasing their own natural gas commodity supply and then delivering that natural gas (through an interstate pipeline like EPNG) to Mesa’s natural gas distribution system. Mesa then receives those natural gas supplies and distributes them from Mesa’s city gate stations to the transportation customer’s natural gas meter.

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<sup>1</sup> As of May 2025 per the Energy Resources Department’s GIS Analysis portal

<sup>2</sup> Active Customer Information System billing customer accounts as of April 2025

## **Discussion**

Mesa has historically had transportation customers from time to time, however, Mesa does not currently have any active transportation customers using the Transportation Rate. As of today, Mesa is responsible for purchasing and delivering (through EPNG) all of the natural gas commodity supply for all of its customers.

In anticipation of the addition of a large transportation customer, staff in the Energy Resources Department has been evaluating the Transportation Rate for accuracy in terms of how the operation of a large customer will work as to minimize any negative impacts to the other customers on the system. This is necessary because imbalances between the transportation customer's gas usage and the amount of natural gas delivered to Mesa affect how Mesa handles its own imbalances. In discussions with EPNG and natural gas suppliers, Mesa identified inaccuracies in the Transportation Rate that must be corrected prior to bringing any more transportation customers into the system.

## **Alternatives**

Given that this Council action is intended to remedy errors in the existing Transportation Rate, taking no action would result in maintaining a Transportation Rate that would incorrectly bill any future transportation customers.

## **Fiscal Impact**

There are no customers currently using the Transportation Rate, therefore there is no impact to existing customer bills or revenue generated by the Transportation Rate. Future transportation customers will be billed properly as a result of the revisions to the Transportation Rate.

## **Coordinated With**

This revision was coordinated with the City Attorney's Office and the Office of Management and Budget.