PROPOSED REVISIONS MESA CITY CODE

Title 5, Chapter 14: Natural Gas Utility Business Regulations

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Natural Gas Business Regulations

1. **Line Extension Policy:** Prescribes how the City of Mesa determines the cost to the customer of a line extension.

2. **Curtailment Policy:** Prescribes how the City of Mesa provides gas utility services to its customers and citizens during times of gas shortages

Current Code: Subdivision Line Extensions

- Mesa can analyze the financials of new subdivision additions on a 5-year basis
  - Mesa collects Infrastructure Deposit for installation
  - Mesa estimates the Annual Revenue
  - Mesa refunds all (or a portion of) Infrastructure Deposit after year 5
  - Revenue past that 5-year Revenue Collection Period is then positive for the utility

Examples

<u>Subdivision 1:</u>

Infrastructure Cost: $1,000 per home

Annual Revenue: $200 per home

5th Year Total Revenue: $1,000 per home

Result: Mesa can refund **100%** to developer at the end of year 5 per the current code. Developer uses natural gas!

<u>Subdivision 2:</u>

Infrastructure Cost: $1,250 per home

Annual Revenue: $200 per home

5th Year Total Revenue: $1,000 per home

Result: Mesa can only refund **80%** to developer at the end of year 5 per the current code. Developer **<u>won't</u>** use natural gas!

Extending to year 6-7 for the refund would get to 100%

Current Code: Large Customer Line Extensions

- Large Projects: Current regulations don’t allow for any negotiation of large projects
  - Any projects above 50 Mcf per day don’t allow for revenue credits
  - CMC Steel: Currently 248 Mcf/day, proposed 345 – 2,130 more
  - Last Year: RPTA, WM, Banner Desert, COM CNG, CMC, Banner Gateway, Alpine Bread, Boeing, AZ Corrugated, Pacific Standard, Urban Trails Apts, Dexcom, Quality Emulsions all exceed 50 Mcf/d

Proposed Revision: Line Extensions

- Current method replaced by ERD's requirement to perform a revenue study for up to 10 years of customer operation
  - Currently: Mesa will hold subdivision "deposit" for 5-6 years then refund

- New customers will pay for the incremental cost of being added to and served by the system as well as eliminate any potential cross-subsidization

Current Code: Curtailment Policy

- Current provisions related to the Fuel Use Act of 1978
- 1970's Energy Crisis due to OPEC embargo
- Act & Regulations restricted use of petroleum and natural gas to only industrial, transportation and manufacturing uses
- Protocols are no longer relevant nor enforceable

Proposed Revision: Curtailment Policy

- Adjust curtailment language to represent current practices and standards
- Voluntary conservation then manage system to maintain pressure requirements
- Curtailment must account for type of situation that is being faced

Questions/Next Steps

- Return to council on June 6th (Ordinance requires two meetings)
- City will continue to finalize agreements with large customers and developers per new code guidelines