
REPORT TO COUNCIL
UTILITIES KINGSTON
1425445 ONTARIO LIMITED



Report 08-360

TO: Mayor and Council

FROM: J. Keech, President & C.E.O., Utilities Kingston

RESOURCE STAFF: J. Keech, President & C.E.O., Utilities Kingston
R. Murphy, Manager of Finance, Utilities Kingston
S. Gibson, Rates and Revenue Analyst, Utilities Kingston

DATE OF MEETING: 2008-11-17

SUBJECT: Approval of the Local Distribution Rate Changes for 2009 for the Gas Utility

EXECUTIVE SUMMARY:

This report specifically deals with the proposed rate changes for the natural gas utility for 2009, including the appropriate By-Law changes. Additionally, details are provided on proposed rate changes for the next 10 years to finance the operating and capital works detailed in Report 08-359.

RECOMMENDATION:

It is recommended that Council approve:

- 1) The proposed Gas Rate changes effective January 1, 2009 as detailed in this report.
- 2) BY-LAW NO. 200X-XXX - A BY-LAW TO IMPOSE GAS RATES (1425445 Ontario Limited operating as Utilities Kingston) to reflect the approved Gas Rates (*Exhibit A*)
- 3) The repeal of BY-LAW NO. 2008-21 A BY-LAW TO IMPOSE GAS RATES (1425445 Ontario Limited operating as Utilities Kingston).

AUTHORIZING SIGNATURES:

ORIGINAL SIGNED BY COMMISSIONER Jim Keech, President and CEO, Utilities Kingston
ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER Gerard Hunt, Chief Administrative Officer

CONSULTATION WITH THE FOLLOWING COMMISSIONERS:

Commissioner Beach, <i>Sustainability & Growth</i>	N/R
Commissioner Hunt, <i>Finance & Corporate Performance</i>	N/R
Commissioner Thurston, <i>Community Development Services</i>	N/R
Commissioner Leger, <i>Corporate Services</i>	N/R
Jim Keech, President, <i>Utilities Kingston</i>	N/R

(N/R indicates consultation not required)

OPTIONS/DISCUSSION:

This report specifically deals with the proposed rate changes for the natural gas utility.

It is proposed that the rate changes become effective January 1, 2009.

Natural gas utility rate changes for 2009 are the same as those included in the 10 year plans and budgets presented to Council in 2008.

NATURAL GAS DISTRIBUTION RATES

The proposed 3.5% to the Local Distribution Charge on natural gas rates will have an estimated impact of \$16.29 per year for residential customers. Commercial customers will see, on average a 3.5% increase in the Distribution portion of their gas charges. The following chart shows the projected increases to the **Local Distribution Charge** of the gas rates over the next ten years.

The following chart shows the current rate structure, the 2008 rate pricing, and the proposed 2009 rate pricing.

Gas Rate Projections									
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Local Distribution Costs		
	2008	2009
Monthly Fixed Charge		
Residential	\$16.00	\$16.56
Commercial	\$60.00	\$62.10
	per M ³	
1st 1500 M³	\$0.0882	\$0.0913
Next 3500 M³	\$0.0490	\$0.0507
Next 70,000 M³	\$0.0268	\$0.0277
over 75,000 M³	\$0.0155	\$0.0160

*N.B. the rates shown are the **Local Distribution Charges** only – Transportation & Storage and Commodity Charges which are treated as a pass through are not affected by these changes.*

EXISTING POLICY/BY LAW:

By-Law 2008-21 A By-law to impose Gas Rates

NOTICE PROVISIONS: N/A

ACCESSIBILITY CONSIDERATIONS: N/A

FINANCIAL CONSIDERATIONS:

Discussed in the report

CONTACTS:

Jim Keech, President and C.E.O., Utilities Kingston 546-1181, Extension 2217
Randy Murphy, Manager of Finance, Utilities Kingston, 546-1181, Extension 2317
Sherry Gibson, Rates and Revenue Analyst, Utilities Kingston, 546-1181, Extension 2383

OTHER CITY OF KINGSTON STAFF CONSULTED: N/A

EXHIBITS ATTACHED:

Exhibit A – Proposed By-Law 200X-XXX A By-law to Impose Gas Rates

BY-LAW NO. 200X-XXX

A BY-LAW TO IMPOSE GAS RATES (1425445 Ontario Limited operating as Utilities Kingston)

PASSED: Month DD, 2008

WHEREAS pursuant to the *Municipal Act, 2001*, S.O. 2001, c.25, including s. 391 of Part XII, a municipality and a local board may pass by-laws imposing fees or charges on any class of persons:

- (a) for services or activities provided or done by or on behalf of it; and
- (b) for costs payable by it for services or activities provided or done by or on behalf of any other municipality or local board.

AND WHEREAS pursuant to section 396 of Part XII, a by-law under this Part may provide for:

- (a) interest charges and other penalties, including the payment of collection costs, for fees and charges that are due and unpaid;
- (b) discounts and other benefits for early payment of fees and charges;
- (c) fees and charges that vary on any basis the municipality or local board considers appropriate and specifies in the by-law, including the level or frequency of the service or activity provided or done, the time of day or of year the service or activity is provided and whether the class of persons paying the fee or charge are residents or non-residents of the municipality;
- (d) different classes of persons and deal with each class in a different way; and
- (e) the exemption, in whole or in part, of any class of persons from all or any part of the by-law.

AND WHEREAS pursuant to section 398 of Part XII, fees and charges imposed by a municipality or local board or a person under this Part constitute a debt of the person to the municipality or local board, respectively, and in the case of fees and charges for the supply of a public utility the treasurer of a local municipality may add fees and charges imposed by the municipality or local board, respectively, under this Part to the tax roll for the property to which the public utility was supplied in the local municipality and collect them in the same manner as municipal taxes.

NOW THEREFORE the Council of the Corporation of the City of Kingston enacts as follows:

Definitions:

1. In this By-Law:
 - (a) "Residential" refers to dwelling unit or multiple dwelling unit up to a maximum of 3 units.
 - (b) "Commercial" refers to all non-dwelling units and all multiple dwellings over 3 units as well as any mix of dwelling units and non-dwelling units.
 - (c) "Commodity" shall mean a charge for the physical gas molecules by volume or energy content.
 - (d) "Gas Rate" shall mean a charge for the operation, repair and maintenance of the gas works and includes Commodity, Local Distribution Costs and Transportation and Storage.

- (e) "Local Distribution Costs" shall mean a charge for the operation, repair and maintenance of the gas works from the City of Kingston's connection to the Trans Canada Pipeline system to the customers' point of connection.
 - (f) "Transportation and Storage" shall mean a charge for the transportation of gas to the City of Kingston's connection to the Trans Canada Pipeline system and the storage of gas and associated transportation of stored gas as required.
 - (g) "Utilities Kingston" means 1425445 Ontario Ltd. operating as "Utilities Kingston" which, including other activities, provides management and operation of gas services under agreement with the City of Kingston.
2. There is imposed on relevant residential and commercial customers gas distribution rates for all gas distributed by the Corporation of the City of Kingston as set out in Appendix "A" as "Local Distribution Costs".
 3. There is imposed on relevant residential and commercial customers a transportation and storage rate for services procured by Utilities Kingston for the transportation and storage of gas as set out in Appendix "A" as "Transportation and Storage". This rate is based on market costs and may be adjusted from time to time without amending this by-law.
 4. There is imposed on relevant residential and commercial customers a rate for natural gas procured by Utilities Kingston for the supply of gas as set out in Appendix "A" as "Commodity". This rate is based on market costs and may be adjusted from time to time without amending this by-law. This commodity rate applies to only those customers purchasing gas commodity from Utilities Kingston.
 5. Any and all payments due and owing pursuant to the provision of this by-law are due on the due date shown on the invoice. Payment options shall be listed on the back of the Utilities Kingston invoice.
 6. Fees and charges that are due and unpaid will be charged a penalty of one and one half (1 1/2) percent per month. All costs and expenses incurred by the municipality in collecting and enforcing unpaid fees and charges shall be added to the amount due and owing. The Treasurer may add unpaid fees and charges to the tax roll of the property to which the service was provided and collect them in the same manner as municipal taxes.
 7. Appendix "A" hereby adopted as part of this by-law subject to the provisions herein permitting the adjustment of certain charges from time to time to reflect market costs.
 8. This By-Law shall come into force and take effect on January 01, 2009.

GIVEN FIRST AND SECOND READINGS

GIVEN THIRD READING AND FINALLY PASSED

CITY CLERK

MAYOR

Appendix "A"

Effective January 01, 2009

Gas Rate Structure (Local Distribution Rate Components)		2009
Monthly Service Charge		
Residential		\$16.56
Commercial		\$62.10
Monthly Block Rate Local Distribution Volumetric Charges		per M³
1st 1500 M ³		\$0.0913
Next 3500 M ³		\$0.0507
Next 70,000 M ³		\$0.0277
All over 75,000 M ³		\$0.0160

Gas Rate Structure				
(effective January 01 2009)		These rates apply to all customers except as follows: Interruptible Customer rates are as per Interruptible Service Gas Contract, and Direct Purchase Customers (Retailers) commodity rate is as contracted with retailer.		
		per M3		
Block #1	1st 1500 M3	\$0.4857		
Block #2	Next 3500 M3	\$0.4451		
Block #3	Next 70000 M3	\$0.4221		
Block #4	All over 75000 M3	\$0.4104		
Residential Service Charge (Monthly)		\$	16.56	
Commercial Service Charge (Monthly)		\$	62.10	
<u>Components that make up the M3 monthly block rates</u>				
per M 3	Commodity	Trans & Storage	Local Distribution Costs	Total
Block #1	0.3005	0.0939	0.0913	\$ 0.4857
Block #2	0.3005	0.0939	0.0507	\$ 0.4451
Block #3	0.3005	0.0939	0.0277	\$ 0.4221
Block #4	0.3005	0.0939	0.0160	\$ 0.4104