



**Utilities Kingston
Report to Council
Report Number 15-133**

To: Mayor and Members of Council
From: Jim Keech, President and CEO, Utilities Kingston
Resource Staff: Randy Murphy, Chief Financial Officer, Utilities Kingston
Sherry Gibson, Senior Advisor, Rates and Regulatory Affairs
Date of Meeting: January 20, 2015
Subject: Approval of Local Distribution Rate Change for Gas

Executive Summary:

This report is requesting an adjustment to natural gas local distribution rates. The proposed adjustment applies to local distribution volumetric rates only and no change to distribution fixed monthly charges. A typical residential customer utilizing an average annual amount of 2,300 m³ natural gas per year will see an increase of 3.5% on the distribution portion of their bill.

Recommendation:

That Council approve:

- 1) The proposed Gas Rate changes effective March 1, 2015 as detailed in this report.
- 2) By-Law Number 2015-XX being a By-Law to Amend By-Law No. 2010-17 "A By-Law to Impose Gas Rates" be presented for all three readings.

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Authorizing Signatures:

**Jim Keech, President and CEO
Utilities Kingston**

Gerard Hunt, Chief Administrative Officer

Consultation with the following Members of the Corporate Management Team:

Cynthia Beach, Corporate & Strategic Initiatives	Not required
Lanie Hurdle, Community Services	Not required
Denis Leger, Transportation, Facilities & Emergency Services	Not required
Desiree Kennedy, Chief Financial Officer & City Treasurer	Not required

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Options/Discussion:

This report deals with (a) the proposed distribution rate changes for the natural gas utility and (b) the addition of a clause to the natural gas rates by-law to address policy for duration of under or over billing subject to recovery or refund.

(a) Natural Gas Local Distribution Rates Adjustment

Gas local distribution rates were last increased on May 1, 2010.

On January 1, 2013, there was a revenue neutral adjustment to the fixed/variable split of the local distribution rates to reflect industry trends.

In this report, the proposed change to the natural gas local distribution rates to be effective March 1, 2015, relates only to an adjustment to the variable rate block prices for local distribution and no adjustment to the fixed monthly charge. The proposed change to variable distribution rates results in an increase of 3.5% on the distribution portion of a bill.

The estimated annualized distribution portion of bill impact for a typical residential customer using 2,300 m³ per year is 3.5% or \$15.18 per year.

The following chart shows the Local Distribution Costs rate structure components with the currently approved January 1, 2013 rate pricing, and the proposed March 1, 2015 rate pricing:

Local Distribution Costs		
	January 1, 2013	March 1, 2015
Monthly Fixed Charge		
Residential	\$21.00	\$21.00
Commercial	\$70.00	\$70.00
Monthly Variable Charges	per M³	
1st 1500 M ³	\$0.0795	\$0.0861
Next 3500 M ³	\$0.0498	\$0.0515
Next 70,000 M ³	\$0.0287	\$0.0297
over 75,000 M ³	\$0.0166	\$0.0172

N.B. The rates shown are the **Local Distribution Costs** charges only – Transportation & Storage and Commodity Charges which are treated as a pass through and are not affected by these changes. Utilities Kingston adjusts transportation & storage and commodity charges as necessary from time to time without amending the gas rates by-law.

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(b) Recovery or Refund due to Billing Error

It is proposed that a clause for under or over billing subject to recovery or refund as the result of a billing error be added to the Gas Rates By-Law. Periodically, billing errors may occur. Common Utility industry errors result from incorrect meter reads, faulty meters and incorrect rates. Utility industry standard practice is to correct these errors for up to a period not exceeding 2 years whether it be a debit or credit adjustment. The addition of this clause will provide a policy that is consistent across the water, sewer, gas, and electric utilities operated by Utilities Kingston, and consistent with regulation. The *Limitations Act, 2002* now provides a basic two-year limitation period for all actions in debt (an under-billed consumption adjustment would be considered a “debt” if a utility had to litigate to recover the under-billed amount), subject to considerations of “discoverability”.

This proposed addition to the clause also allows that in the case of a recovery from a customer, that the customer be allowed to pay the under-billed amount over a period at least equal to the duration of the billing error, up to a maximum of two (2) years and exempt from any interest charges.

This addition is consistent with current Utilities Kingston practice and provides customer focused consistency that is aligned with Ontario rate-regulated gas and electric utility regulatory customer service regulations. It also provides policy consistency across the water, sewer, gas, and electric utilities operated by Utilities Kingston.

EXISTING POLICY/BY LAW:

By-Law No. 2010-17 “A By-Law to Impose Gas Rates (1425445 Ontario Limited operating as Utilities Kingston)”.

By-Law No. 2013-18 “A By-Law to Amend By-Law No. 2010-17 “A By-Law to Impose Gas Rates (1425445 Ontario Limited operating as Utilities Kingston)”.

NOTICE PROVISIONS:

Not applicable.

ACCESSIBILITY CONSIDERATIONS:

Not applicable.

FINANCIAL CONSIDERATIONS:

As discussed in the report.

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CONTACTS:

Jim Keech, President and CEO, Utilities Kingston, 613-546-1181 X2217

Randy Murphy, Chief Financial Officer, Utilities Kingston, 613-546-1181 X2317

Sherry Gibson, Sr. Advisor Rates & Regulatory Affairs, Utilities Kingston, 613-546-1181 X2383

OTHER CITY OF KINGSTON STAFF CONSULTED:

Not applicable.

EXHIBITS ATTACHED:

Exhibit A - By-Law No. 2015-XXX A By-law to Amend By-Law No. 2010-17 "A By-Law to Impose Gas Rates (1425445 Ontario Limited operating as Utilities Kingston)".

BY- LAW NO. 2015-XXX

A By-Law To Amend By-Law Number 2010-17 “A By-Law to Impose Gas Rates (1425445 Ontario Limited operating as Utilities Kingston)”

PASSED: Meeting date, 2015

The Council of The Corporation of the City of Kingston hereby enacts as follows:

1. By-Law No. 2010-17 of the Corporation of the City of Kingston entitled, “A By-Law to Impose Gas Rates (1425445 Ontario Limited operating as Utilities Kingston)”, as amended, is hereby further amended as follows:

- 1.1 The following paragraphs shall be added to clause 5:

When a billing error has resulted in over-billing and Measurement Canada is not involved, the Customer/Consumer will be credited with the erroneously paid amount for a period not exceeding two (2) years.

When a billing error has resulted in under-billing and Measurement Canada is not involved, the Customer/Consumer will normally be charged with the amount not billed for a period not exceeding two (2) years.

In the instance of under-billing a Customer, the customer shall be allowed to pay the under-billed amount in equal installments over a period at least equal to the duration of the billing error, up to a maximum of two (2) years.

In instances in which Measurement Canada is involved, Measurement Canada will act as an arbitrator and shall determine the appropriate time period for adjustment.”

- 1.2 Appendix “A” is hereby deleted in its entirety and replaced with the new Appendix “A” attached hereto and marked as Schedule ‘A’.

2. This By-Law shall come into force and take effect on March 1, 2015.

GIVEN ALL THREE READINGS AND PASSED Meeting date, 2015

**CITY CLERK
JOHN BOLOGNONE**

**MAYOR
BRYAN PATERSON**

SCHEDULE A

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Appendix "A"

Effective March 01, 2015

Gas Rate

Local Distribution Costs		March 01, 2015
Local Distribution Costs include (a) a monthly service charge and (b) common monthly block rate local distribution volumetric charges. These rates apply to all gas customers except for Interruptible customers.		
(a) Monthly Service Charge		<u>Service Charge Rate</u>
	Residential	\$21.00
	Commercial	\$70.00
(b) Monthly Block Rate Local Distribution Volumetric Charges		<u>Rate per M³</u>
	1st 1500 M³	\$0.0861
	Next 3500 M³	\$0.0515
	Next 70000 M³	\$ 0.0297
	All over 75000 M³	\$ 0.0172

Transportation and Storage		January 01, 2015
This volumetric rate applies to all gas customers including System Gas, Direct Purchase (Retailer), and Interruptible customers. <i>Note: This rate may be adjusted by Utilities Kingston from time to time without amending this by-law.</i>		<u>Rate per M³</u>
Transportation & Storage Rate		\$0.0953

Commodity		January 01, 2015
This volumetric rate applies to all System Gas customers only. The commodity rate applicable to a Direct Purchase gas customer (Retailer) is per their retailer contract. <i>Note: This rate may be adjusted by Utilities Kingston from time to time without amending this by-law.</i>		<u>Rate per M³</u>
Commodity Rate		\$0.1925