Gas Rates:

The following rate designations, and rates, for all gas customers of the city are hereby established:

(1) Residential service within city limits-G1: Applicable to individual dwellings and apartments whose physical location is within the corporate limits:
Monthly Rates:
Customer charge: $10.62 per bill rendered.
First 40 CCF (one hundred cubic feet): $1.56 per CCF.
Over 40 CCF (one hundred cubic feet): $1.48 per CCF.

(2) Residential service outside city limits-G2: Applicable to individual dwellings and apartments whose physical location is outside the corporate limits:
Monthly Rates:
Customer charge: $11.18 per bill rendered.
First 40 CCF (one hundred cubic feet): $1.64 per CCF.
Over 40 CCF (one hundred cubic feet): $1.55 per CCF.

(3) Small commercial service inside and outside city limits-G2: Applicable to small commercial establishments whose physical location is inside or outside the corporate limits:
Monthly Rates:
Customer charge: $11.18 per bill rendered.
First 40 CCF (one hundred cubic feet): $1.64 per CCF.
Over 40 CCF (one hundred cubic feet): $1.55 per CCF.

(4) School service inside and outside city limits-S1: Applicable to public and private schools regardless of physical location:
Monthly Rates:
Customer charge: $20.44 per bill rendered.
First 40 CCF (one hundred cubic feet); $1.47 per CCF.
Next 960 CCF (one hundred cubic feet): $1.36 per CCF.

Next 1,000 CCF (one hundred cubic feet): $1.32 per CCF.
Over 2000 CCF (one hundred cubic feet): $1.25 per CCF.

(5) Large commercial and industrial service inside and outside City-G3 and G4: Applicable to large commercial and industrial customers whose median monthly consumption is 200 CCF or more on an interruptible basis:
Monthly Rates:
Customer charge: $19.61 per bill rendered.
All CCF (one hundred cubic feet): $1.62 per CCF.

(6) Special wholesale rate to the Town of Daphne, Alabama-GS: (Discontinued).
(7) City of Fairhope use-G6: Rates for city use shall be the above set out for G1 residential service rates.
(8) Interruptible 1,000+ Mcf industrial rate-G7: Applicable to all large commercial and industrial customers whose median monthly consumption is one thousand (1,000) Mcf or above on an interruptible basis. Service to more than one (1) premises shall not be combined (unless served through one (1) meter), nor shall it be shared with or resold to others.
Monthly Rates:

The monthly rate applied to all consumption shall be the monthly interruptible gas rate charged by BP Energy (stated in dollars per MCF) delivered to the City of Fairhope; plus a surcharge of $0.50 per Mcf.

If consumption is less than 1,000+ Mcf, the rate shall be G2. Service hereunder shall be for a minimum initial period and thereafter from day to day until terminated. A notice of time of usage must be given to the city not less than twenty-four (24) hours prior to said usage time.

(9) Manufacturing service rate—G8: Applicable to all industrial customers involved in the manufacture of various equipment items and other products, located inside and outside the corporate limits. Monthly Rates:

Customer charge: $329.18 per bill rendered.

All CCF (one hundred cubic feet): $1.47 per CCF.

(10) General rules and regulations:

   a. The above rates are those charged by the city and any additional charges levied by state or federal authorities, such as the four (4) per cent state utilities tax, shall be in addition to said rates.

   b. Bills are payable within ten (10) days from due date and, if not paid within such period, may be increased by an amount to be determined by council.

   c. When applicable, a service charge will be applied by the city gas department for calls made when interruption of service is not the fault of the city.

   d. Retail service to more than one premises (unless served through one meter) shall not be combined, nor shall it be shared with or resold to others.

   e. In the event the supply of natural gas to the city is curtailed or if the total supply is inadequate, only high-priority customers shall continue to receive service in accordance with the city's curtailment plan. A high-priority customer includes users of gas in a residence, small commercial establishment, school, hospital or similar institution, or any use where curtailment would endanger life, health, welfare or maintenance of physical property due to the unavailability of an alternate energy supply.

   f. Normal service and delivery pressure to the customer shall be determined by the pressure available in the city's mains at the customer's location and may be reduced as necessary by the city to comply with supplier and regulatory curtailment directives under the current Modified IV Category Plan. Where the customer's normal operational pressure requirements exceed the delivery pressure available, thus requiring the installation of increased compressor capacity, a pressure factor (corresponding to the psig) will be used to calculate the actual monthly consumption to be billed.

   g. In the event a maximum daily quantity (MDQ) overrun penalty is levied against the city, due, in part or in whole, to industrial delivery overruns, the industry will pay a daily overrun penalty of one dollar ($1.00) per one hundred (100) cubic feet against all units in excess of the industry's established MDQ in addition to the established rate.

(11) Gas rate adjustments: The foregoing retail rate schedules shall be subject to adjustment, if the wholesale rate goes up or down, the wholesale percentage will be passed through to the retail customer. Adjustments to the base retail rate schedules listed above shall be performed, in the absence of a formal rate hearing, in accordance with either one or both of the formulas set out below in subsection (10)a, gas cost adjustment (GCA), 10(b) labor cost adjustment (LCA), and (10)b, revenue requirement adjustment. A formal rate hearing shall be held at least once every two (2) years, or in the event that total adjustments to the base retail rate schedules reach or exceed twenty cents ($0.20) per one hundred (100) cubic feet, to review and adjust the base retail rates above, and also the adjustment formulas as required.

   a. Gas cost adjustment (GCA):
   Schedule GCA shall provide for the monthly fluctuation in wholesale purchased gas costs as reflected in the monthly quote received from BP Energy Company ("BP"). The GCA shall also account for any changes in monthly gas transportation costs. In the event schedule GCA results in a negative factor, such negative GCA factor shall be applied to each customer's monthly bill. All GCA factors shall be rounded off to the nearest one-hundredth of a cent ($0.00) per one hundred (100) cubic feet sold. The GCA shall be calculated based on the current billing period's wholesale gas cost anticipated to be billed by supplier(s) (e.g., BP), plus anticipated gas transportation charges, adjusted to the retail billing level as follows:

$$GCA = [(PGC + GTC) \times 1.032 \times (1/1-RAF) / 10] - BGC$$

Where:

PGC = Purchased gas cost for the coming billing period stated in dollars per MMBtu (million British Thermal Units). PGC includes the commodity cost of gas and all applicable taxes and surcharges.

GTC = Gas transportation cost for the coming billing period stated in dollars per MMBtu.

RAF = Retail adjustment factor to adjust the dollars per MCF charge to the retail billing level, currently 0.05. RAF may be adjusted from time to time based on actual experience.

BGC = The cost of delivered gas in current base rates ($0.56 per CCF). BGC shall remain unchanged until the next the revision to base rates.

b. <u>Labor Cost Adjustment (LCA).</u> The base rates set forth above may be adjusted periodically to account for <u>permanent</u> changes in labor-related revenue requirements (e.g., salaries and wages, pensions and benefits, etc.) that come about as a result of budget actions taken by the City Council for a fiscal year. Such adjustment, when approved by the City Council, shall be calculated as follows:

$$LCA = 1 + ((TLCB - TLCPY) / BRRR)$$

Where:

TLCB = The total annual labor cost, in dollars, that is reflected in the electric utility budget for the coming fiscal year, as approved by the Board.

TLCPY = The total actual annual labor cost, in dollars, that was incurred by the electric utility for the prior fiscal year.

BRRR = The total estimated revenue requirement, in dollars, that is being recovered in current base rates.

The LCA factor so calculated shall be applied to each retail rate set forth above, excluding Schedule GCA, such that it will result in new base gas rates. Thus, when applied, a new TLCPY and BRRR will be established for future LCA calculations. The following accounts shall be used in the determination of total labor costs as reflected in TLCB and TLCPY:

Salaries
Payroll Taxes
Retirement Expense
Insurance – Employees Group
Employee Retirement / Medical Insurance
Casualty / Workers Compensation Insurance

Note: the listing of accounts used to determine TLCB and TLCPY may be modified from time-to-time as prescribed by the City's accounting and budget procedures.

c. Revenue requirement adjustment (RRA):

$$RRA = (EO - \$5,986,000) + (EG - \$1,307,600) / RS$$

EG is new or budgeted annual contributions to the Fairhope general fund;

EO is estimated or budgeted annual operation and maintenance costs for the next twelve (12) months;

RS is total annual Fairhope retail sales, excluding city use, in CCf estimated for the next twelve (12) months.

(12) The foregoing retail rate schedule shall be further subject to adjustment in certain areas defined and specified as subject to the competitive rate environment. Such areas are those in which the city is competing or will have to compete with other gas suppliers for market share. The purpose of this discretion to adjust rates in the defined area or areas is to enhance the municipal utility's ability to successfully compete and gain market share.