

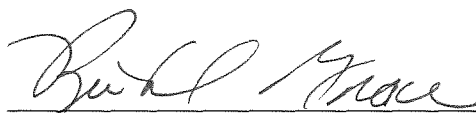
## RESOLUTION

BE IT RESOLVED by the Municipal Utilities Board of the City of Decatur, Morgan County, Alabama (“the DU Board”) that it hereby requests that the City Council of the City of Decatur adopt the proposed Ordinance presented herewith to the Council, a copy of which is attached as Exhibit “A”, amending Section 23-231 of the Code of Decatur, Alabama, changing the rates for gas and related services furnished by the DU Board.

## CERTIFICATE

I, Richard Grace, Secretary of the Municipal Utilities Board of the City of Decatur, Morgan County, Alabama hereby certify that the above and foregoing is a true and correct copy of the Resolution adopted by the said Board at a meeting thereof duly called and held on the 15<sup>th</sup> day of August, 2012 as the same appears in the minutes of said meeting in my custody and control.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary of the Municipal Utilities Board of the City of Decatur, Morgan County, Alabama on this the 19<sup>th</sup> day of September, 2012.



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Richard Grace  
Secretary

ORDINANCE NO. 12- 4133

BE IT ORDAINED by the City Council of the City of Decatur, in the State of Alabama as follows:

Section 1. Section 23-231 is hereby amended to read as follows:

Sec. 23-231. - Generally.

**Sec. 23-231. - Generally.**

The schedules of rates for gas and services furnished from the Municipal Utilities Board of Decatur, Morgan County, Alabama, doing business as Decatur Utilities, are hereby established as provided in this division. Within this division, "Decatur Utilities" shall be understood to mean the General Manager of Decatur Utilities or his designee authorized to act for the Decatur Utilities Gas System.

(a) *Firm sales service: residential - Class 30; and small commercial - Class 32.*

(1) *Applicability.* This schedule shall apply, but not be limited, to residential and small commercial customers whose consumption is less than one hundred (100) MCF per month. Gas service under this schedule shall be firm.

(2) *Monthly rate.* The monthly charge shall be the sum of the following components:

a. A monthly service charge of seven dollars and fifty cents (\$7.50).

b. A demand charge per one thousand (1,000) cubic feet (MCF) based on the city's average demand cost (see paragraph 5).

c. A commodity charge per MCF based on the city's average commodity cost (see paragraph 5).

d. A mark-up of \$1.4173 per MCF.

(3) *Minimum bill.* Per month for each meter, seven dollars and fifty cents (\$7.50).

(4) *Rules and regulations.* All gas rendered shall be subject to the rules and regulations from time to time promulgated and adopted by the municipal utilities board.

(5) *Adjustment of rates; contracts for future delivery of gas.* The rate at which the customer is billed will be increased or decreased in proportion to any increase or decrease in the cost of natural gas purchased by the city from its suppliers.

Any such adjustment shall be effective beginning with bills rendered on or after the effective date of such increase or decrease in the charges to the city for natural gas purchased by it from its suppliers.

EXHIBIT

A

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The average demand cost shall be the city's total gas supply demand costs less any contract pass through, divided by the volumes of gas sold and transported to firm customers, calculated on an annual basis.

The average commodity cost shall be the city's total gas purchase costs consisting of commodity charges, transportation charges, and charges for losses, divided by the total volume of gas purchased by the city.

Notwithstanding any other provision of this division, subject to such limitations as to price and volume as the city council of the city may impose, the municipal utilities board of the city, in its discretion, and from time to time, may enter into contracts to purchase gas for future delivery to or for the use and benefit of a particular customer, a particular class of customers, or particular classes of customers; and, for the purpose of any adjustment of rates under this division, the cost of such gas purchased for future delivery may, at the board's discretion, be used to calculate the adjusted rate of only that customer or class or classes of customers for which such gas was purchased.

(6) *Accounting for variances in demand and commodity costs* The city's actual costs of gas vary each month because of its demand/purchase ratio and purchase contract cost adjustment clauses. Any differences in the actual and calculated average demand and commodity costs will be debited or credited each month to deferred accounts maintained by the city for that purpose. Refunds and adjustments from the city's suppliers may be credited to the deferred accounts maintained by the city, used directly in the operation and maintenance of the city's gas system, applied to capital projects, or used to reduce rates.

(7) *Payment.* Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under the city standard policy.

(b) *Firm sales service regular commercial - Class 40.*

(1) *Applicability.* This schedule shall apply to any commercial customers whose consumption exceeds one hundred (100) MCF for any one (1) month but who typically use less than eight hundred (800) MCF per month. Customer will remain in this class a minimum of twelve (12) successive months following any month in which use has exceeded one hundred (100) MCF, or until they become classified in a higher use classification. Gas service under this schedule shall be firm.

(2) *Monthly rate.* The monthly charge shall be the sum of the following components:

- a. A monthly service charge of fifteen dollars (\$15.00).
- b. A demand charge per one thousand (1,000) cubic feet (MCF) based on the city's average demand cost (see paragraph (5)).
- c. A commodity charge per MCF based on the city's average commodity cost (see paragraph (5)).
- d. A mark-up of \$1.3048 per MCF.

(3) *Minimum bill.* Per month for each meter, fifteen dollars (\$15.00).

(4) *Rules and regulations.* All gas service rendered shall be subject to the rules and regulations from time to time promulgated and adopted by the municipal utilities board.

(5) *Adjustment of rates; contracts for future delivery of gas.* The rate at which the customer is billed will be increased or decreased in proportion to any increase or decrease in the cost of natural gas purchased by the city from its suppliers.

Any such adjustment shall be effective beginning with bills rendered on or after the effective date of such increase or decrease in the charges to the city for natural gas purchased by it from its suppliers.

The average demand cost shall be the city's total gas supply demand costs less any contract pass through, divided by the volumes of gas sold and transported to firm customers, calculated on an annual basis.

The average commodity cost shall be the city's total gas purchase costs consisting of commodity charges, transportation charges, and charges for losses, divided by the total volume of gas purchased by the city.

Notwithstanding any other provision of this division, subject to such limitations as to price and volume as the city council of the city may impose, the municipal utilities board of the city, in its discretion, and from time to time, may enter into contracts to purchase gas for future delivery to or for the use and benefit of a particular customer, a particular class of customers, or particular classes of customers; and, for the purpose of any adjustment of rates under this division, the cost of such gas purchased for future delivery may, at the board's discretion, be used to calculate the adjusted rate of only that customer or class or classes of customers for which such gas was purchased.

(6) *Accounting for variances in demand and commodity costs.* The city's actual costs of gas vary each month because of its demand/purchase ratio and purchase contract cost adjustment clauses. Any differences in the actual and calculated average demand and commodity costs will be debited or credited each month to deferred accounts maintained by the city for that purpose. Refunds and adjustments from the city's suppliers may be credited to the deferred accounts maintained by the city, used directly in the operation and maintenance of the city's gas system, applied to capital projects, or used to reduce rates.

(7) *Payment.* Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under the city standard policy.

(b.1) *Firm sales service: Large commercial - Class 45.*

(1) *Applicability.* This schedule shall apply to large commercial customers whose monthly consumption equals or exceeds eight hundred (800) MCF for any three (3) months of a twelve (12) consecutive month period commencing with the first month in which use equals or exceeds eight hundred (800) MCF; this rate shall become effective as of the first day of the month following the third month that the customer's consumption equaled or exceeded eight hundred (800) MCF within a period of twelve (12) consecutive month period. Customer will remain in this class a minimum of twelve (12) successive months, or until they become classified in a higher use classification. Gas service under this schedule shall be firm.

- (2) *Monthly rate.* The monthly charge shall be the sum of the following components:
- a. A monthly service charge of thirty dollars (\$30.00).
  - b. A demand charge per one thousand (1,000) cubic feet (MCF) based on the city's average demand cost (see paragraph 5).
  - c. A commodity charge per MCF based on the city's average commodity cost (see paragraph 5).
  - d. A mark-up of \$0.8384 per MCF.
- (3) *Minimum bill.* Per month for each meter, thirty dollars (\$30.00).
- (4) *Rules and regulations.* All gas service rendered shall be subject to the rules and regulations from time to time promulgated and adopted by the municipal utilities board.
- (5) *Adjustment of rates; contracts for future delivery of gas.* The rate at which the customer is billed will be increased or decreased in proportion to any increase or decrease in the cost of natural gas purchased by the city from its suppliers.

Any such adjustment shall be effective beginning with bills rendered on or after the effective date of such increase or decrease in the charges to the city for natural gas purchased by it from its suppliers.

The average demand cost shall be the city's total gas supply demand costs less any contract pass through, divided by the volumes of gas sold and transported to firm customers, calculated on an annual basis.

The average commodity cost shall be the city's total gas purchase costs consisting of commodity charges, transportation charges, and charges for losses, divided by the total volume of gas purchased by the city.

Notwithstanding any other provision of this division, subject to such limitations as to price and volume as the city council of the city may impose, the municipal utilities board of the city, in its discretion, and from time to time, may enter into contracts to purchase gas for future delivery to or for the use and benefit of a particular customer, a particular class of customers, or particular classes of customers; and, for the purpose of any adjustment of rates under this division, the cost of such gas purchased for future delivery may, at the board's discretion, be used to calculate the adjusted rate of only that customer or class or classes of customers for which such gas was purchased.

- (6) *Accounting for variances in demand and commodity costs.* The city's actual costs of gas vary each month because of its demand/purchase ratio and purchase contract cost adjustment clauses. Any differences in the actual and calculated average demand and commodity costs will be debited or credited each month to deferred accounts maintained by the city for that purpose. Refunds and adjustments from the city's suppliers may be credited to the deferred accounts maintained by the city, and may be used directly in the operation and maintenance of the city's gas system, applied to capital projects, or used to reduce rates.

- (7) *Payment.* Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under the city

standard policy.

(c) *Firm sales service: industrial - Class 50; and firm transportation service: industrial - Class 51.*

(1) *Applicability.* This schedule applies to industrial customers that use a minimum annual average of eight hundred (800) MCF per month. Service under this rate shall be supplied through a single delivery and metering point. Service can be firm sales service, transportation service, or a combination. If a combination, a letter agreement shall be executed establishing transportation quantity of gas and providing that gas supplied hereunder shall be the first gas through the customer metering point each month. Under transportation service, the customer shall pay others for the purchase of gas. Any customer to which this schedule applies may, with prior written approval of Decatur Utilities, elect to contract for pass through of the city's firm interstate pipelines transportation demand cost; however, any such customer must pay the appropriate monthly rate as provided in paragraph (c)(3)b.2 below.

(2) *Curtailment of deliveries.* Service under this rate schedule is subject to curtailment as provided in the rules and regulations of the city utilities Gas System.

(3) *Monthly rate.* The monthly charge shall be the sum of the following components:

a. A monthly service charge of four hundred fifty dollars (\$450.00).

b. Demand charge.

1. Annualized demand. A demand charge per one million (1,000,000) BTU (dekatherm) of total gas use, whether purchased from or transported by the city, based on the city's average demand cost (see paragraph 8), or

2. Contract pass through demand. A demand charge per one million (1,000,000) BTU (dekatherm) of total gas used, whether purchased from or transported by the city, actual cost as paid by the city to the pipeline(s). Minimum term is one year, and minimum daily contract quantity is 51 dekatherms.

c. As appropriate to the customer, either:

1. A commodity charge per dekatherm of gas purchased from the city based on the city's average commodity cost (see paragraph (8)); or

2. If a customer requests the city to purchase for and deliver to it a specific package of gas that exceeds one hundred (100) MCF/day, and such request is approved by Decatur Utilities, a commodity charge calculated on a dekatherm basis equal to the cost of such gas delivered to the city distribution system.

d. A mark-up of \$0.2017 per dekatherm or \$0.20815 per MCF of total gas use, whether purchased from or transported by the city.

(4) *Unauthorized overrun penalty.* If on any day or days a customer should take, without the city's advance approval, a volume of gas in excess of the maximum daily contract volume as stated in the executed gas sales contract, or should a customer take during any curtailment period a volume of gas in excess of the curtailment period quantity entitlement applicable to such customer, said volume shall constitute unauthorized overrun volume, and the customer shall be assessed a penalty as follows:

a. *Demand penalty.* Should customer's overrun result in or cause the city to exceed its current "maximum daily demand" under its contract with its supplier, customer shall be assessed a penalty in the amount of any actual cost incurred by the city as a result of the maximum daily demand violation for which customer was accountable. This demand penalty shall be in addition to the normal charge for the gas and shall be billed at a rate equal to the current demand rate paid by the city to its supplier. The demand penalty shall remain in effect for whatever length of time the city's increased demand is attributable to such customer.

b. *Contract penalty.* Should customer's overrun result in or cause the city to exceed its current maximum daily contract with its supplier, customer shall be assessed a penalty in the amount of any actual cost incurred by the city as a result of such overrun for which customer was accountable. This penalty shall be in addition to the normal charge for the gas and any penalty assessed under a. above, if a. is applicable.

c. *Curtailed period quantity entitlement penalty.* For any gas taken during any "period of curtailment" in excess of the curtailment period quantity entitlement, customer shall be assessed a penalty in the amount of any actual cost incurred by the city as a result of the curtailment violation by the customer. This penalty will be in addition to the normal charge for the gas and any penalty assessed under a. or b. above, if applicable. The city, at its discretion, may waive any penalty created hereunder for minor unauthorized overruns; however, the city may require a written statement from customer explaining circumstances that made overruns necessary.

(5) *Payment.* Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under the city standard policy.

(6) *Rules and regulations.* All gas service rendered shall be subject to the rules and regulations from time to time promulgated and adopted by the municipal utilities board.

(7) *BTU determination.* The heating value of the gas delivered (British thermal units) shall be calculated on the dry basis at fourteen and seventy-three one hundredths (14.73) PSIA and at sixty (60) degrees Fahrenheit. For the purpose of determining such heating value, the city may rely on the accuracy of reports furnished to it on such heating value by the city's suppliers of gas, or the city may determine heating value by other methods commonly used in the gas industry. Whenever the city purchases gas from more than one (1) supplier, the customer shall be billed for the weighted average BTU content of all gas purchased or transported by the city. The term "BTU" means British thermal unit.

(8) *Adjustment of rates; contracts for future delivery of gas.* The rate at which the customer is billed will be increased or decreased in proportion to any increase or decrease in the cost of natural gas purchased by the city from its suppliers.

Any such adjustment shall be effective beginning with bills rendered on or after the effective date of such increase or decrease in the charges to the city for natural gas purchased by it from its suppliers.

The average demand cost shall be the city's total gas supply demand costs less any contract pass through divided by the volumes of gas sold and transported to firm customers, calculated on an annual basis.

The average commodity cost shall be the city's total gas purchase costs consisting of commodity charges, transportation charges, and charges for losses, divided by the total volume of gas purchased by the city.

Notwithstanding any other provision of this division, subject to such limitations as to price and volume as the city council of the city may impose, the municipal utilities board of the city, in its discretion, and from time to time, may enter into contracts to purchase gas for future delivery to or for the use and benefit of a particular customer, a particular class of customers, or particular classes of customers; and, for the purpose of any adjustment of rates under this division, the cost of such gas purchased for future delivery may, at the board's discretion, be used to calculate the adjusted rate of only that customer or class or classes of customers for which such gas was purchased.

(9) *Accounting for variances in demand and commodity costs.* The city's actual costs of gas vary each month because of its demand/purchase ratio, purchase contract cost adjustment clauses, and the average BTU content of gas purchased. Refunds and adjustments from the city's suppliers may be credited to the deferred accounts maintained by the city and may be used directly in the operation and maintenance of the city's gas system, applied to capital projects, or used to reduce rates.

(10) Under transportation service for Class 51, the city will provide backup service to customer's transportation service by others up to the customer maximum daily contract demand. The city's charge for this service is covered by items b. and d. of paragraph (3).

(d) *Firm sales: Flex - Class 80; and Firm transportation: Flex - Class 81.* If, in the opinion of Decatur Utilities, the natural gas requirements of an existing or a potential customer may be served by other natural gas suppliers at rates that are lower than rates that would be applicable to gas supplied to such a customer under paragraph (c)(3) above, then Decatur Utilities is authorized, subject to the conditions and limitations set forth below, to negotiate or submit a bid to supply gas to such a customer at a different rate, herein "contract rate," for a fixed term by reducing or discounting the mark-up component of the rate calculated under paragraph (c)(3) above.

(1) A contract rate, which in no event shall be less than the cost of such gas to Decatur Utilities, including the purchase price thereof, transportation costs and any applicable taxes or excise charges, shall only be applicable to gas supplied under a contract for a fixed term of not less than one (1) month.

(2) A contract rate shall only be available to an existing or a potential customer as to whom Decatur Utilities shall be satisfied by verifiable proof that the procurement by such customer of its natural gas or alternate fuel requirements from another supplier is economically, operationally and physically feasible, and is imminent or is occurring.

(3) Gas service at a contract rate shall be available for such period of time and upon such terms providing for interruption and discontinuance as may be included in any contract to which the contract rate is applicable.

(4) A contract rate pursuant to this schedule may vary from customer to customer, but the maximum rate for customers who would otherwise be entitled to gas service under paragraph (c) shall not exceed the rate provided in paragraph (c).



(5) Any contract that includes a contract rate shall take into account any cost to the Gas System of extending service to the customer and shall provide for recovery of such cost by appropriate terms including the duration of the contract, the volume of gas to be supplied pursuant to it, and the actual contract rate included in such contract applicable to such gas.

(6) Every contract for the sale of natural gas at the contract rate shall provide for the adjustment of such rate to include all taxes, assessments, governmental or regulatory charges or impositions levied, assessed or increased after the date of such contract which are measured or affected in any way by the sale or delivery of gas to or by the city or the revenue received by the city from the sale of gas.

(7) To insure the eligibility of a customer for the contract rate and to insure that all conditions of this schedule have been satisfied, no contract for the sale of natural gas at the contract rate shall be effective until it has been reviewed and approved by the general manager of Decatur Utilities.

(8) Payment. Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under the city standard policy.

(e) *Interruptible sales service: Industrial - Class 60; and transportation service: Industrial - Class 61.*

(1) *Applicability.* This schedule applies to industrial customers for interruptible gas service that use a minimum annual average of eight hundred (800) MCF per month. Service under this rate shall be supplied through a single delivery and metering point.

Service can be interruptible sales service, interruptible transportation service, or a combination. If a combination, a letter agreement shall be reached establishing transportation quantity of gas, and that gas shall be the first gas through the customer metering point each month. Under transportation service, customer shall pay others for the purchase of gas.

(2) *Availability.* Gas shall be available under this schedule only during "off-peak periods" as recognized by Decatur Utilities, and only when volumes of gas are available in excess of the requirements of the firm customers. Service under this schedule may be interrupted whenever, in the sole judgment of the city, interruption is necessary to prevent an increase in the city's current "maximum daily demand" from the city's wholesale gas supplier or to prevent the city's exceeding its current curtailment period quantity entitlement. Customers receiving gas service under this schedule shall at no time take gas during any "period of interruption."

(3) *Alternate fuel.* Equipment using natural gas supplied under this rate shall have the capability of using an alternate fuel and shall be maintained in readiness to discontinue use of natural gas upon one (1) hour's notice from the city.

(4) *Penalty.* Should a customer fail to comply with any notice from the city calling for interruption or curtailment of "interruptible gas," the customer shall be assessed a penalty as follows:

a. *Demand penalty.* Should customer's overrun result in or cause the city to exceed its current "maximum daily demand" with its supplier, customer shall be assessed a demand penalty in the amount of any actual cost incurred by the city as a result of the maximum daily demand violation for which customer was accountable. This demand penalty shall be in addition to the normal charge for the gas and shall be billed at a rate equal to the current demand rate paid by the city to its supplier. The demand penalty shall remain in effect for whatever length of time the city's increased demand is attributable to such customer.

b. *Contract penalty.* Should customer's overrun result in or cause the city to exceed its current maximum daily contract with its supplier, customer shall be assessed a penalty in the amount of any actual cost incurred by the city as a result of such overrun for which customer was accountable. This penalty shall be in addition to the normal charge for the gas and any penalty assessed under a. above, if a. is applicable.

c. *Curtailment period quantity entitlement penalty.* For any gas taken during any "period of interruption," customer shall be assessed a penalty in the amount of any actual cost incurred by the city as a result of the curtailment violation by the customer. This penalty will be in addition to the normal charge for the gas and any penalty assessed under subsection a. or b. above, if applicable. The city, at its discretion, may waive any penalty provided hereunder for minor violations of interruption or curtailment orders; however, the city may require a written statement from customer explaining circumstances which made the violation of order necessary.

(5) *Monthly rate.* The monthly charge shall be the sum of the following components:

a. A monthly service charge of four hundred fifty dollars (\$450.00).

b. As appropriate to the customer, either:

1. A commodity charge per dekatherm of gas purchased from the city based on the city's average commodity cost (see paragraph 9); or

2. If a customer requests the city to purchase for and deliver to it a specific package of gas that exceeds one hundred (100) MCF/day, and such request is approved by Decatur Utilities, a commodity charge calculated on a dekatherm basis equal to the cost of such gas delivered to the city distribution system.

c. A mark-up of \$0.1829 per dekatherm or \$0.18875 per MCF of total gas use, whether purchased from or transported by the city.

(6) *BTU determination.* The heating value of the gas delivered (British thermal units) shall be calculated on the dry basis at fourteen and seventy-three one hundredths (14.73) PSIA and at sixty (60) degrees Fahrenheit. For the purpose of determining such heating value, the city may rely on the accuracy of reports furnished to it on such heating value by the city's suppliers of gas, or the city may determine heating value by other methods commonly used in the gas industry. Whenever the city purchases gas from more than one supplier, the customer shall be billed for the weighted average BTU content of all gas purchased or transported by the city. The term "BTU" means British thermal units.

(7) *Facilities charge.* Should the city determine revenues from the estimated volumes of gas available under this schedule are insufficient to justify its investment or its operation and maintenance of facilities necessary to provide service to a customer, the city, at its discretion, may remove or abandon said facilities. However, should a customer desire to have facilities left in place for a bona fide reason, the city and the customer may mutually agree on a "yearly facilities charge," which shall be payable in advance.

(8) *Minimum bill.* The minimum bill under this rate schedule shall be four hundred fifty dollars (\$450.00) per month.

(9) *Adjustment of rates; contracts for future delivery of gas.* The rate at which the customer is billed will be increased or decreased in proportion to any increase or decrease in the calculated average commodity cost of natural gas purchased by the city from its suppliers.

Any such adjustment shall be effective beginning with bills rendered on or after the effective date of such increase or decrease in the charges to the city for natural gas purchased by it from its suppliers.

The average commodity cost shall be the city's total gas purchase costs consisting of commodity charges, transportation charges, and charges for losses, divided by the total volume of gas purchased by the city.

Notwithstanding any other provision of this division, subject to such limitations as to price and volume as the city council of the city may impose, the municipal utilities board of the city, in its discretion, and from time to time, may enter into contracts to purchase gas for future delivery to or for the use and benefit of a particular customer, a particular class of customers, or particular classes of customers; and, for the purpose of any adjustment of rates under this division, the cost of such gas purchased for future delivery may, at the board's discretion, be used to calculate the adjusted rate of only that customer or class or classes of customers for which such gas was purchased.

(10) *Accounting for variances in demand and commodity costs.* The city's actual average commodity cost of gas varies each month because of its purchase contract cost adjustment clauses and the average BTU content of gas purchased. Refunds or adjustments from the city's suppliers may be credited to the deferred accounts maintained by the city, and may be used directly in the operation and maintenance of the city's gas system, applied to capital projects, or used to reduce rates.

In the event that the volume of gas supplied to the city exceeds the city's volume under its firm transportation contract, and on that account interruptible transportation charges are thereby incurred by the city in order to serve interruptible customers, then such interruptible transportation charges shall be apportioned to and paid by the interruptible customers who, during the period the interruptible transportation charges were incurred, were taking interruptible gas from the city's system.

(11) *Rules and regulations.* All gas service rendered shall be subject to the rules and regulations from time to time promulgated and adopted by the municipal utilities board.

(12) *Payment.* Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under the city standard policy.

(f) *Interruptible sales: Flex - Class 90; and Interruptible transportation: Flex - Class 91.* If, in the opinion of Decatur Utilities, the natural gas requirements of an existing or a potential customer may be served by other natural gas suppliers at rates that are lower than rates that would be applicable to gas supplied to such a customer under paragraph (e)(5) above, then Decatur Utilities is authorized, subject to the conditions and limitations set forth below, to negotiate or submit a bid to supply gas to such a customer at a different rate, herein "contract rate," for a fixed term by reducing or discounting the mark-up component of the rate calculated under paragraph (e)(5) above.

(1) A contract rate, which in no event shall be less than the cost of such gas to Decatur Utilities, including the purchase price thereof, transportation costs and any applicable taxes or excise charges, shall only be applicable to gas supplied under a contract for a fixed term of not less than one (1) month.

(2) A contract rate shall only be available to an existing or a potential customer as to whom Decatur Utilities shall be satisfied by verifiable proof that the procurement by such customer of its natural gas or alternate fuel requirements from another supplier is economically, operationally and physically feasible, and is imminent or is occurring.

(3) Gas service at a contract rate shall be available for such period of time and upon such terms providing for interruption and discontinuance as may be included in any contract to which the contract rate is applicable.

(4) A contract rate pursuant to this schedule may vary from customer to customer, but the maximum rate for customers who would otherwise be entitled to gas service under paragraph (e) shall not exceed the rate provided in paragraph (e).

(5) Any contract that includes a contract rate shall take into account any cost to the Gas System of extending service to the customer and shall provide for recovery of such cost by appropriate terms including the duration of the contract, the volume of gas to be supplied pursuant to it, and the actual contract rate included in such contract applicable to such gas.

(6) Every contract for the sale of natural gas at the contract rate shall provide for the adjustment of such rate to include all taxes, assessments, governmental or regulatory charges or impositions levied, assessed or increased after the date of such contract which are measured or affected in any way by the sale or delivery of gas to or by the city or the revenue received by the city from the sale of gas.

(7) To insure the eligibility of a customer for the contract rate and to insure that all conditions of this schedule have been satisfied, no contract for the sale of natural gas at the contract rate shall be effective until it has been reviewed and approved by the general manager of Decatur Utilities.

(8) Payment. Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under the city standard policy.

(g) *Inflation (CPI) Adjustment*

In addition to rate adjustments herein above authorized, in order to make appropriate adjustments of rates for natural gas service to accommodate for the effects of inflation:

(1) Within sixty (60) days after the end of its fiscal year, commencing with the year 2013, Decatur Utilities shall make an evaluation of the then current revenues from all gas system services to determine whether such rates are providing and will continue to provide:

- a. 1.50 revenue coverage for debt service obligations related to the provision of natural gas service;
- b. The constant availability of a minimum cash reserve for gas system operations defined as: One and one-half (1½) month's Total Operating Expenses including natural gas purchases, less depreciation; or
- c. A positive net income ratio of not less than 2% defined as: "Change in Net Assets" less "Capital Contributions", divided by "Total Operating Revenues."

(2) If, by resolution adopted as of November 30 of 2013 and of each succeeding year, Decatur Utilities shall determine and certify to the City Council of Decatur that any of the criteria set forth in (g)(1) above are not met, then, unless the City Council shall, within thirty (30) days after receipt of such certification, direct otherwise, by ordinance or resolution, Decatur Utilities may increase the "monthly service charge" and/or the "mark up" portions of its rates commencing with the January billing cycle in 2014 and for each year thereafter in which such certification has been made, by the greater of, in the aggregate: Three percent (3%) of the then current rates, or that percentage by which the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Pricing Index, All Urban Consumers (CPIU) U.S. City Average All Items ("Price Index") shall have increased on July 1 for the fiscal year in which the certification is made over the Price Index as of July 1 of the preceding year.

(Ord. No. 2223, § 1, 4-21-80; Ord. No. 2279, § 1, 8-17-81; Ord. No. 2298, §§ 1—3, 1-18-82; Ord. No. 83-2355, § 1, 8-1-83; Ord. No. 84-2405, § 1, 10-15-84; Ord. No. 89-2869, § 1, 10-2-89; Ord. No. 90-2906, § 1, 5-7-90; Ord. No. 91-3000, § 1, 8-5-91; Ord. No. 95-3247, § 1, 4-19-95; Ord. No. 99-3559, §§ 1, 2, 10-4-99; Ord. No. 00-3634A, § 1, 12-4-00; Ord. No. 01-3645, § 1, 2-27-01)

Section 2. This Ordinance shall become effective on the \_\_\_\_\_ day of \_\_\_\_\_, 2012.

ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

APPROVED this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

Attest:

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Stacy Gilley  
City Clerk

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Don Stanford  
Mayor