

Gas Fund Summary

Revenue

Charges for Services: Revenues are forecasted based upon results of the 2021 Rate Study, which evaluated 2017-2019 statistics obtained from our customer information system, and further refined by staff to include actual FY 2020 revenue.

Expenditures

Administration Services: Decrease of \$68,940 due to a decrease in legal services and internal allocations.

Engineering: Decrease of \$25,460 due primarily to a decrease in engineering/architectural services.

Distribution: Increase of \$6,740 due to an increase in contractors' expense.

Service: Increase of \$43,930 for increase in salaries and uniform expenses.

Meters and Regulators: Decrease of \$55,210 due to decreases in wages and contractors

Gas Control: Decrease of \$32,490 due to decrease in salaries and travel/training expenses.

Debt Service: Increase of \$9,050 in principal payment on general obligation bonds.

Capital Expenses

Regular Capital -Equipment and Vehicles

Shared with Water Fund:

Vehicles:

- 3 vehicles: \$51,200
- 2 enclosed trailers: \$11,000
- 1 truck body replacement: \$7,500

Machinery & Equipment:

- Fusion equipment: 7,500
- Excavator and valve exerciser: \$35,000

Other Regular Capital

- Meters and regulators: \$246,460

Projects

- \$1.2 million in Capital Projects for the Pittsylvania County Natural Gas Expansion.

Adopted Budget- FY 2022

Gas

Calculation of Contribution to(from) Fund Balance/General Fund

| | Adopted Budget FY 2021 | Adopted Budget FY 2022 |
|---|------------------------|------------------------|
| Estimated Revenue | | |
| Rev-Use Money/Property | 459,900 | 298,110 |
| Charges for Services | 22,389,840 | 19,630,430 |
| Miscellaneous Revenue | 7,810 | 6,500 |
| Total Estimated Revenue | 22,857,550 | 19,935,040 |
| Operating Expenses | | |
| Administration Services | 3,361,730 | 3,471,750 |
| Engineering | 398,510 | 373,050 |
| Gas Control | 13,274,510 | 11,498,210 |
| Distribution | 534,350 | 511,880 |
| Service | 251,540 | 295,470 |
| Meters & Regulators | 171,960 | 116,750 |
| Capital Expenses | 845,400 | 813,510 |
| Capital Projects | 3,500,000 | 1,213,790 |
| Total Operating Expenses | 22,338,000 | 18,294,410 |
| Net Operating Income (Loss) | 519,550 | 1,640,630 |
| Add: | | |
| Depreciation | 1,542,230 | 1,573,910 |
| Deduct: | | |
| Debt Service Principal | 123,160 | 132,210 |
| Capital Expenditures from Current Operating Funds | 0 | 0 |
| Contribution to City's General Fund | 3,186,330 | 3,196,330 |
| Contribution To(From) Retained Earnings | (1,247,710) | (114,000) |

GAS FUND

ADOPTED - CAPITAL & SPECIAL PROJECTS - FY 2022-2026

| Detail Page No. | Project/Source | PL# | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | 5 Yr Total |
|-------------------------------|---|-----|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Gas Distribution | | | | | | | | |
| 3-69 | Pittsylvania County Natural Gas Expansion | | 1,213,790 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 5,213,790 |
| Gas Distribution Total | | | \$ 1,213,790 | \$ 1,000,000 | \$ 1,000,000 | \$ 1,000,000 | \$ 1,000,000 | \$ 5,213,790 |
| Funding Source: | | | | | | | | |
| | Utility Fund Revenues | | \$ 1,213,790 | \$ 1,000,000 | \$ 1,000,000 | \$ 1,000,000 | \$ 1,000,000 | \$ 5,213,790 |
| Total Funding | | | \$ 1,213,790 | \$ 1,000,000 | \$ 1,000,000 | \$ 1,000,000 | \$ 1,000,000 | \$ 5,213,790 |

**GAS FUND
ADOPTED BUDGET - CAPITAL & SPECIAL PROJECTS - FY 2022
FUNDING SOURCES**

| | Current Revenues | Fund Balance | Debt Financing | Grants/CIA | Other | Project Total |
|---|-----------------------------|-------------------------|---------------------------|-------------------|--------------|--------------------------|
| <u>Gas Distribution</u> | | | | | | |
| Pittsylvania County Natural Gas Expansion | \$ 1,213,790 | | | | | \$ 1,213,790 |
| Total Gas Distribution | \$ 1,213,790 | \$ - | \$ - | \$ - | \$ - | \$ 1,213,790 |

Revenue categories for this fund are as follows:

REVENUE – USE OF MONEY/PROPERTY: This revenue category includes:

Interest on Investments: All of the City's funds are invested in secured accounts in an attempt to earn the highest possible return. Investments earnings are a function of the money marketplace and swings in the revenues reflect higher or lower interest rates.

Rental Income: offset by vehicle and equipment charges to the divisions for daily and monthly usage.

Sale-Salvage and Surplus Property: This revenue represents the sale of surplus vehicles and equipment and funds received from the sale of scrap metal.

CHARGES FOR SERVICES: The major revenue source for the Gas Fund is consumer fees. The residential category is the largest part of that revenue stream representing 13,168 customers. The commercial base represent 1509 customers and the industrial base represents 19 firms, six interruptible and five transport customers. There are 54 municipal class represents gas sold to the City for its municipal facilities. Other revenues in this category include penalties for non-payment and reconnection fees. The monthly charge for the Purchased Gas Adjustment is also included in Charges for Services. In FY20 a rate decrease for the natural gas fund was implemented based on the biennial Cost of Service Study. This rate decrease was implemented through the gas distribution charge based on the cost to serve for each customer class. The reduction in revenue for FY20 and moving forward was \$879,000. The decrease is possible due to the reduction in on-going capital projects. The gas fund is in the final years of a twenty-year gas main replacement project.

MISCELLANEOUS REVENUE: Miscellaneous revenue includes charges to customers who request alternation or expansion of their existing services and for amounts billed to third parties for damages to equipment and infrastructure.

| | FY 2019 Actual | FY 2020 Actual | FY 2021 Adopted | FY 2022 Adopted | Increase/ (Decrease) |
|--------------------------|----------------------|----------------------|----------------------|----------------------|-------------------------|
| Revenues: | | | | | |
| Rev-Use Money & Property | \$ 539,551 | \$ 466,563 | \$ 459,900 | \$ 298,110 | \$ (161,790) |
| Charges for Services | 23,844,228 | 19,435,942 | 22,389,840 | 19,630,430 | (2,759,410) |
| Miscellaneous Rev | 9,287 | 2,152 | 7,810 | 6,500 | (1,310) |
| Totals | \$ 24,393,066 | \$ 19,904,657 | \$ 22,857,550 | \$ 19,935,040 | \$ (2,922,510) |

Description

Danville has been in the gas distribution business since 1876. In 1950, the City was the first to begin receiving natural gas from the new, Transcontinental Gas Pipeline allowing Danville access to gas produced along the Gulf Coast. Danville has a gas-purchasing contract with Muni-Gas of Houston, Texas to purchase wholesale gas discounted from the market price.

Danville’s gas system includes more than 356 miles of mains that are 1 ¼ to 12 inches in diameter. Nineteen regulator stations allow Danville to supply just under 15,000 customers. Danville Utilities-Water and Gas is staffed with employees equipped to handle both natural gas and potable water distribution system construction, maintenance, and service.

Expenditures

| | FY 2019 Actual | FY 2020 Actual | FY 2021 Adopted | FY 2022 Adopted | Increase/ (Decrease) |
|----------------------|---------------------------|---------------------------|----------------------------|----------------------------|---------------------------------|
| Expenditures: | | | | | |
| Personnel Services | \$ 59,155 | \$ 62,095 | \$ 124,280 | \$ 81,880 | \$ (42,400) |
| Employee Benefits | 21,367 | 82,592 | 27,610 | 38,740 | 11,130 |
| Purchased Services | 58,665 | 59,550 | 71,070 | 64,760 | (6,310) |
| Internal Service | 31,806 | 30,502 | 21,510 | 23,830 | 2,320 |
| Other Operating Exp | 672,001 | 190,903 | 247,430 | 278,900 | 31,470 |
| Cost Allocation | 1,447,379 | 1,504,780 | 1,268,920 | 1,232,640 | (36,280) |
| Capital Outlay | - | - | 500 | 500 | - |
| Depreciation | 1,559,902 | 1,546,538 | 1,542,230 | 1,573,910 | 31,680 |
| Debt Service | 58,054 | 46,485 | 58,180 | 51,590 | (6,590) |
| Transfer Out | 3,059,330 | 3,186,330 | 3,186,330 | 3,321,330 | 135,000 |
| Totals | \$ 6,967,659 | \$ 6,709,775 | \$ 6,548,060 | \$ 6,668,080 | \$ 120,020 |

Personnel

The Division Director position is allocated 50/50 to Water Distribution and Gas.

| Position Title | FY 2019 FTEs | FY 2020 FTEs | FY 2021 FTEs | FY 2022 FTEs |
|-----------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| DIVISION DIR OF WATER & GAS | 0.500 | 0.500 | 0.500 | 0.500 |
| Total | 0.500 | 0.500 | 0.500 | 0.500 |

Description

Gas Engineering performs complex work managing the design, planning, and coordination of projects to ensure reliable, safe and efficient operation of Danville's natural gas system. This is accomplished by managing projects for new main and service installations, main rehabilitation, economic development, roadway construction and relocations; performing system testing and calculations for adequate capacity; reviewing plans and engineering work performed by consultants and interpreting and implementing regulations related to construction of the gas distribution system. In addition, Gas Engineering maintains and supports the Gas Geographic Information System, ensures compliance with Pipeline Safety and various environmental regulations, including the Distribution Integrity Management Program (DIMP), and performs investigations for response to regulatory and compliance issues. The Gas Engineering group provides technical and operational support for measurement, leak survey and cathodic protection.

Expenditures

| | FY 2019 Actual | FY 2020 Actual | FY 2021 Adopted | FY 2022 Adopted | Increase/ (Decrease) |
|----------------------|---------------------------|---------------------------|----------------------------|----------------------------|---------------------------------|
| Expenditures: | | | | | |
| Personnel Services | \$ 183,942 | \$ 208,211 | \$ 251,730 | \$ 230,140 | \$ (21,590) |
| Employee Benefits | 27,073 | 24,899 | 29,940 | 29,800 | (140) |
| Purchased Services | 45,250 | 56,610 | 74,540 | 63,910 | (10,630) |
| Internal Service | 15,796 | 13,570 | 15,000 | 15,800 | 800 |
| Other Operating Exp | 10,153 | 4,000 | 24,490 | 24,750 | 260 |
| Capital Outlay | 2,119 | 3,912 | 2,810 | 8,650 | 5,840 |
| Totals | \$ 284,333 | \$ 311,202 | \$ 398,510 | \$ 373,050 | \$ (25,460) |

Personnel

| Position Title | FY 2019 FTEs | FY 2020 FTEs | FY 2021 FTEs | FY 2022 FTEs |
|-------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| W&G PROJECT ENGINEER | - | - | 0.500 | - |
| W&G CONSTRUCTION INSPECTOR | - | - | 0.500 | 0.500 |
| W&G CORROSION TECHNICIAN | - | - | - | 0.500 |
| WG GIS ENGINEERING TECHNICIAN | 1.000 | 1.000 | 1.000 | 1.000 |
| WATER & GAS ENGINEERING AIDE | 0.500 | - | - | - |
| W&G SR ENGINEERING TECHNICIAN | 1.500 | 1.000 | 1.000 | 1.000 |
| W&G CHIEF ENGINEER | 0.500 | 0.500 | 0.500 | 0.500 |
| W&G COMPLIANCE COORDINATOR | 1.000 | 1.000 | 1.000 | 0.500 |
| SENIOR SECRETARY | 0.250 | 0.250 | 0.250 | 0.250 |
| Total | 4.750 | 3.750 | 4.750 | 4.250 |

Description

Gas Distribution group safely and properly installs and maintains gas mains, valves, and services. They repair leaks, inspect and repair valves, and demo services as needed. This group responds to natural gas emergencies affecting gas mains and services continuously throughout the year.

Expenditures

| | FY 2019 Actual | FY 2020 Actual | FY 2021 Adopted | FY 2022 Adopted | Increase/ (Decrease) |
|----------------------|---------------------------|---------------------------|----------------------------|----------------------------|---------------------------------|
| Expenditures: | | | | | |
| Personnel Services | \$ 173,073 | \$ 211,540 | \$ 256,040 | \$ 256,790 | \$ 750 |
| Employee Benefits | 24,423 | 24,901 | 30,330 | 33,150 | 2,820 |
| Purchased Services | 102,087 | 55,959 | 136,080 | 97,340 | (38,740) |
| Internal Service | 29,521 | 16,903 | 24,240 | 27,150 | 2,910 |
| Other Operating Exp | 89,467 | 65,663 | 87,660 | 97,200 | 9,540 |
| Capital Outlay | 1,884 | 2,003 | - | 250 | 250 |
| Totals | \$ 420,455 | \$ 376,969 | \$ 534,350 | \$ 511,880 | \$ (22,470) |

Position Notes

Positions are allocated to Water Distribution and Gas Distribution.

| Position Title | FY 2019 FTEs | FY 2020 FTEs | FY 2021 FTEs | FY 2022 FTEs |
|--------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| PUBLIC SERVICE WORKER | 1.300 | 0.780 | 0.520 | - |
| CONSTRUCTION WORKER | 1.560 | - | - | - |
| MOTOR EQUIPMENT OPERATOR I | 0.780 | 2.080 | 3.380 | 2.080 |
| MOTOR EQUIPMENT OPERATOR II | 0.520 | 0.260 | 0.260 | 1.040 |
| MOTOR EQUIPMENT OPERATOR III | - | 0.260 | 0.260 | 0.780 |
| W&G CREW SUPERVISOR | 1.040 | 1.560 | 1.300 | 0.780 |
| W&G WELDER/CREW SUPERVISOR | 0.260 | 0.260 | 0.260 | 0.260 |
| W&G CONSTRUCTION CREW SUPERVSR | 0.520 | - | - | 0.520 |
| W&G CONSTRUCTION INSPECTOR | - | 0.500 | - | - |
| W&G DISTRIBUTION SUPERVISOR | 0.500 | 0.500 | 0.500 | - |
| W&G DISTRIBUTION SUPERINTENDEN | 0.500 | 0.500 | 0.500 | 0.500 |
| Total | 6.980 | 6.700 | 6.980 | 5.960 |

Description

The Gas Control group manages the purchase and dispatch of the City's natural gas supply. The division participates in negotiations for acquiring gas and delivery contracts to meet system and customer needs and develops and administers cost-effective capacity and commodity procurement strategies. Gas control monitors system pressures, customer usage, capacity limits, and weather to optimize throughput and revenue. The technicians install, operate, and maintain electronic gas measurement equipment.

Expenditures

| | FY 2019 Actual | FY 2020 Actual | FY 2021 Adopted | FY 2022 Adopted | Increase/ (Decrease) |
|----------------------|----------------------|----------------------|----------------------|----------------------|-------------------------|
| Expenditures: | | | | | |
| Personnel Services | \$ 318,572 | \$ 307,353 | \$ 411,440 | \$ 387,350 | \$ (24,090) |
| Employee Benefits | 44,428 | 36,211 | 50,480 | 51,600 | 1,120 |
| Purchased Services | 7,731 | 14,795 | 22,770 | 22,770 | - |
| Internal Service | 14,208 | 8,710 | 13,000 | 15,000 | 2,000 |
| Other Operating Exp | 32,653 | 34,624 | 46,420 | 37,170 | (9,250) |
| Source of Supply | 14,010,316 | 12,002,695 | 12,730,400 | 10,984,320 | (1,746,080) |
| Capital Outlay | 127 | 400 | - | - | - |
| Totals | \$ 14,428,035 | \$ 12,404,788 | \$ 13,274,510 | \$ 11,498,210 | \$ (1,776,300) |

Personnel

| Position Title | FY 2019 FTEs | FY 2020 FTEs | FY 2021 FTEs | FY 2022 FTEs |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|
| GAS CONTROL TECHNICIAN | 2.000 | 2.000 | 2.000 | 2.000 |
| GAS CONTROL MANAGER | 1.000 | 1.000 | 1.000 | 1.000 |
| UTILITY OPERATOR SUPERVISOR | - | - | - | 0.400 |
| UTILITY OPERATOR | 3.200 | 3.200 | 3.600 | 2.800 |
| Total | 6.200 | 6.200 | 6.600 | 6.200 |

Description

The Gas metering and regulator division is responsible for the maintenance, operation, and installation of the automated meter reading modules and the physical meters. The team tests, calibrates and removes or installs all gas meters in the distribution system. The group is responsible for meter disconnects and reconnections, and investigations and the operation and maintenance of gas valves.

Expenditures

| | FY 2019 Actual | FY 2020 Actual | FY 2021 Adopted | FY 2022 Adopted | Increase/ (Decrease) |
|----------------------|---------------------------|---------------------------|----------------------------|----------------------------|---------------------------------|
| Expenditures: | | | | | |
| Personnel Services | \$ 100,076 | \$ 76,405 | \$ 107,900 | \$ 57,380 | \$ (50,520) |
| Employee Benefits | 14,631 | 8,980 | 13,560 | 7,360 | (6,200) |
| Purchased Services | 1,989 | 1,167 | 24,620 | 16,500 | (8,120) |
| Internal Service | 4,857 | 3,965 | - | - | - |
| Other Operating Exp | 32,755 | 16,886 | 25,880 | 35,510 | 9,630 |
| Capital Outlay | 314 | - | - | - | - |
| Totals | \$ 154,622 | \$ 107,403 | \$ 171,960 | \$ 116,750 | \$ (55,210) |

Personnel

| Position Title | FY 2019 FTEs | FY 2020 FTEs | FY 2021 FTEs | FY 2022 FTEs |
|--------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| W&G METER TECHNICIAN | 1.350 | 1.350 | 0.900 | 0.450 |
| W&G SYSTEMS CONTROL SUPERINTEN | 0.500 | 0.500 | 0.500 | 0.250 |
| | 1.850 | 1.850 | 1.400 | 0.700 |

Description

The purpose of the Capital Improvement Program is to ensure the orderly expansion, modification and repair to the Gas distribution system for improved customer reliability, to allow future growth, and improve operational efficiency. This mission is accomplished by systematic construction and/or modifications to the distribution system.

Expenditures

| | FY 2019 Actual | FY 2020 Actual | FY 2021 Adopted | FY 2022 Adopted | Increase/ (Decrease) |
|----------------------|---------------------|---------------------|---------------------|---------------------|-------------------------|
| Expenditures: | | | | | |
| Personnel Services | \$ 168,371 | \$ 97,907 | \$ 192,290 | \$ 202,930 | \$ 10,640 |
| Employee Benefits | 23,407 | 11,725 | 22,690 | 25,910 | 3,220 |
| Purchased Services | 1,363,656 | 1,091,684 | 145,000 | 118,000 | (27,000) |
| Internal Service | 37,378 | 19,264 | - | - | - |
| Other Operating Exp | 157,729 | 226,989 | 336,920 | 326,370 | (10,550) |
| Capital Outlay | 127,397 | 24,068 | 148,500 | 140,300 | (8,200) |
| Capital Projects | - | - | 3,500,000 | 1,213,790 | (2,286,210) |
| Totals | \$ 1,877,938 | \$ 1,471,637 | \$ 4,345,400 | \$ 2,027,300 | \$(2,318,100) |

Personnel

Hourly Gas fund employees are accounted for within capital projects through our work order system. Although there are no employees exclusively or specifically assigned to capital projects, we forecast the following results for FY 2022:

| Position Title | FY 2019 FTEs | FY 2020 FTEs | FY 2021 FTEs | FY 2022 FTEs |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|
| PUBLIC SERVICE WORKER | 1.300 | 1.280 | 0.480 | - |
| CONSTRUCTION WORKER | 1.560 | - | - | - |
| MOTOR EQUIPMENT OPERATOR I | 0.780 | 2.080 | 3.120 | 1.920 |
| MOTOR EQUIPMENT OPERATOR II | 0.520 | 0.260 | 0.240 | 0.960 |
| MOTOR EQUIPMENT OPERATOR III | - | 0.260 | 0.240 | 0.720 |
| W&G METER TECHNICIAN | - | - | 0.100 | 0.050 |
| W&G CREW SUPERVISOR | 1.040 | 1.560 | 1.200 | 0.720 |
| W&G WELDER/CREW SUPERVISOR | 0.260 | 0.260 | 0.240 | 0.240 |
| W&G CONSTRUCTION CREW SUPERVSR | 0.520 | - | - | 0.480 |
| W&G DISTRIBUTION SUPERVISOR | 0.500 | 0.500 | - | - |
| W&G DISTRIBUTION SUPERINTENDEN | 0.500 | 0.500 | - | - |
| Total | 6.980 | 6.700 | 5.620 | 5.090 |

Description

The Gas Distribution Service group ensures that the system is safe and reliable by conducting leak surveys of the system and measuring cathodic protection and odorant levels. They install meters and the AMI equipment that allows remote meter reading for billing. The distribution group is trained to recognize abnormal operating conditions that might affect public safety and they investigate customers' fuel pipes and appliances for leaks and proper installation. This group provides first response to emergency calls continuously throughout the year.

Expenditures

| | FY 2019 Actual | FY 2020 Actual | FY 2021 Adopted | FY 2022 Adopted | Increase/ (Decrease) |
|----------------------|---------------------------|---------------------------|----------------------------|----------------------------|---------------------------------|
| Expenditures: | | | | | |
| Personnel Services | \$ 183,497 | \$ 229,731 | \$ 185,320 | \$ 209,400 | \$ 24,080 |
| Employee Benefits | 25,797 | 27,563 | 22,970 | 28,240 | 5,270 |
| Purchased Services | 2,454 | 2,387 | 2,390 | 6,160 | 3,770 |
| Internal Service | 22,184 | 24,953 | 24,200 | 25,200 | 1,000 |
| Other Operating Exp | 9,732 | 16,227 | 16,660 | 26,470 | 9,810 |
| Capital Outlay | 2,040 | 2,390 | - | - | - |
| Totals | \$ 245,704 | \$ 303,251 | \$ 251,540 | \$ 295,470 | \$ 43,930 |

Personnel

The Dispatcher is a shared position with the Electric Fund.

| Position Title | FY 2019 FTEs | FY 2020 FTEs | FY 2021 FTEs | FY 2022 FTEs |
|--------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| DISPATCHER | 0.500 | 0.500 | 0.500 | 0.500 |
| W&G SERVICE TECHNICIAN | 3.500 | 3.500 | 3.500 | 3.500 |
| W&G SYSTEMS CONTROL SUPERINTEN | - | - | - | 0.250 |
| | 4.000 | 4.000 | 4.000 | 4.250 |

Accomplishments

Work with coordination with Customer Service to complete internal investigations and customer requests safely and efficiently.

Goals

Improve day-time response for leak investigations to an average response of less than ten minutes.

Improve over-all response time for leak investigations to an average response of less than thirty five minutes.

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Description

Gas Debt Service budgets and accounts for the retirement of principal for general obligation bonds for the Gas fund.

Expenditures

| | FY 2019 Actual | FY 2020 Actual | FY 2021 Adopted | FY 2022 Adopted | Increase/ (Decrease) |
|----------------------|---------------------------|---------------------------|----------------------------|----------------------------|---------------------------------|
| Expenditures: | | | | | |
| Debt Service | \$ 234,385 | \$ 205,242 | \$ 123,160 | \$ 132,210 | \$ 9,050 |
| Totals | \$ 234,385 | \$ 205,242 | \$ 123,160 | \$ 132,210 | \$ 9,050 |

FY 2022 FIVE-YEAR CAPITAL & SPECIAL PROJECTS PLAN
PROJECT DESCRIPTION

Project Title: Pittsylvania County Natural Gas Expansion
Project No: 61601

Department: Utilities
Division: Gas Distribution
Section: N/A

Description:

Expand natural gas service into Pittsylvania County regions in conjunction with PCSA and nDanville projects. This will increase gas consumption/revenue and potentially lower electric demand during winter months. Natural gas is a cheaper cleaner burning fuel than propane. The majority of the City's gas hedges will expire in March 2021 allowing for a very cost effective source of heating for these potential new customers.

Justification:

This project will expand natural gas coverage to areas allowed by the State Corporation Commission. It is our expectation that as more customers switch to natural gas heating, gas consumption will increase and customers will have access to a consistent lower cost of heating. The indirect benefits are that the electric fund will see less demand in the winter when transmission peaks usually occur if a significant number of customers convert from electric to natural gas for heating. This could help avoid increasing transmission costs on the electric side providing some rate relief.

Natural gas is often praised as a clean energy alternative. It burns more cleanly than other fossil fuels, emitting lower levels of harmful emissions such as carbon monoxide, carbon dioxide and nitrous oxides. Customers would likely see a lower cost of heating if they decided to switch from propane to natural gas. Propane is typically three times higher than the cost of natural gas.

Comments:

| Funding | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | Total |
|------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Utility Revenues | 1,213,790 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 5,213,790 |
| Gas Fund | | | | | | - |
| Total Funding Sources | 1,213,790 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 5,213,790 |

Goals/Milestones:

| | |
|---------|----------------------------|
| FY 2022 | Expand Natural Gas Service |
| FY 2023 | Expand Natural Gas Service |
| FY 2024 | Expand Natural Gas Service |
| FY 2025 | Expand Natural Gas Service |
| FY 2026 | Expand Natural Gas Service |