

GAS RATES UPDATE
October 15, 2025
from the City Treasurer

Our gas rates are made up of two parts:

- Minimum Charge (currently \$12.25 for residential and \$28.70 for commercial)
- Charge for gas consumption per CCF. This is further broken down into two parts:
 - Purchase gas charge (PGA). This is the direct cost of gas from our supplier. It is adjusted every month based on the market price for natural gas.
 - Delivery Charge – the cost of the gas department to operate.

This is how it is addressed in the current gas rate ordinance.

After the audit results for 2022-2023, I noticed a trend of loss for the gas department. The following are actual end of year numbers, not budgeted numbers.

<u>Year</u>	<u>Excess (deficit)</u>	<u>Balance Forward*</u>
2024-2025	\$ (69,539.65)	\$659,871.41
2023-2024	\$ (64,456.43)	\$729,411.06
2022-2023	\$ (26,545.68)	\$793,867.49
2021-2022	\$ 32,413.78	\$820,413.17
2020-2021	\$162,673.34	\$787,999.39
2019-2020	\$ 91,497.75	\$625,326.05
2018-2019	\$ 82,083.31	\$533,828.30
2017-2018	\$128,107.24	\$451,744.99
2016-2017	\$ 45,465.75	\$263,190.84

* \$410,000 of the balance forward is in a CD

I started looking into the dramatic reduction in profit over previous years. I discovered that, in 2014, the city hired NPGA to do a complete survey of the gas system. At that time, the pricing structure was redesigned to include a different minimum charge for residential and commercial, and one price per CCF, which included a set profit margin. **No pricing had been updated since.**

So, I took a deep dive into what makes up our prices and what updates needed to be made. Working with Russ Pfeil and Kent Fleischmann, these were some of my findings:

The following is the formula I was taught to use to calculate the gas price each month.

Date of Adjustment	Estimated PGA/TGI	BASE	COST	Conversion	Res Margin	OUR Res Rate
2/2/2024	\$ (1.13)	\$ 7.08	\$ 5.95	\$ 0.595	\$ 0.419	1.01400

Base: The base cost of gas per therm as determined by NPGA, our natural gas supplier

Estimated PGA: the adjustment to the base cost based on market value (provided to us every month)

Cost: the price per therm for natural gas at current market value

Conversion: converting the price from therm to CCF

Res Margin: the city's markup on gas per CCF

OUR Res Rate: cost of gas plus city's margin. The final price we charge per CCF for that month.

These are the ways the formula was out of date:

- The base had changed twice since being \$7.08. It is currently \$5.00.
- We used the estimated PGA to project the current market price but did not account for the final PGA billed to us in the following month, which is what we are actually charged.
- Conversion from therm to CCF based on a simplified national average of the heating factor, not on our specific heating factor (which can be calculated based on the data in our monthly invoice from NPGA). This is a small amount, but a loss, nonetheless.
- The profit margin was never updated, despite our expenses more than doubling (increasing by 109%) from 2014 to 2024.

Since the market gas price was overestimated, it masked the fact that our profit margin was no longer covering department costs.

The biggest increase in expenses in recent years has been personnel services. Obviously, the gas superintendent is supported by the gas department. In 2013, it also started to exclusively support the city clerk. Then, in 2022, Kent Fleischmann was also fully supported by the gas department. He still functioned as a utility floater but started apprenticing under Russ at that time. Finally, when anticipating an additional utility floater, they were put under the gas department for FY 2023-2024. Jeff Lynch started in April 2024. The gas department currently supports 4 of the full-time city employees. The city has a total of 11 full-time employees. All other departments support ½ to 1½ full-time employees.

I found a pricing formula that the city used prior to 2014 and started to adapt it to our current needs. See attachment (2025-26 Pricing Formula). This is used to determine the city's portion of the gas price. I have color coordinated the components to make them easier to identify.

The **minimum monthly charge** is meant to cover our cost to bring the natural gas to Alma. This includes transportation, storage, membership fees to NPGA, and the state fire marshall fee for each gas meter. These rates have not been updated since 2014, despite those costs increasing significantly. The cost of these expenses not covered by our minimum charge is being made up for in the per CCF charge.

The **budgeted expenses** cost is meant to cover all expenses to operate the gas department. This includes personnel services, operating expenses not covered elsewhere, and capital outlay costs.

Our auditor recommends a 15% **profit margin** each year. These funds are meant to be reinvested into infrastructure.

This pricing formula was used to create the rates for FY 2024-2025 and was put in place with the gas rate ordinance change in July 2024. That ordinance states that the delivery charge would be updated each year based on the annual budget.

There was a price increase last year when many of these delinquencies came to light. Residential per CCF increased by \$0.35 and commercial by \$0.08. The minimum charge stayed the same.

For this year's budget, the pricing formula was refined even more as we continued to learn where our losses were. First, transportation costs went up last year by \$49,000. This happened after the fiscal year began and was not factored into last year's pricing. Secondly, we are now using consumption totals of our whole gas system, rather than just what is running through the customer meters.

For the 2025-2026 fiscal year, residential per CCF will increase by \$0.20 and commercial by \$0.47. Again, since the minimum charge meant to cover costs to get the gas to Alma is not sufficient, the cost per CCF is making up for it.

2025-26 Pricing Formula

Assumed mmbtu usage per year
Percentage of Total Usage

Ras
28,258
55%

Comm
23,591
45%

51,849 3 year average mmbtu purchased
based on 3 year average CCF usage

Number of Gas meters

421

97

Minimum monthly charge
Revenue from Monthly Charge
(subtracted from per therm price)

\$	12.25	\$	28.70	\$	1.42
\$	61,887.00	\$	33,406.80	\$	

Transportation Cost
Percentage of Transportation Costs

\$	165,207.20	\$	165,207.20	\$	3.19
\$	90,038.84	\$	75,168.36	\$	

Budgeted Expenses
Percentage of Budgeted Expenses

\$	417,751.00	\$	417,751.00	\$	8.06
\$	227,676.62	\$	190,074.38	\$	

Profit Margin (15% recommended by auditor)
Percentage of Desired Profit

\$	83,000.00	\$	83,000.00	\$	1.60
\$	45,235.46	\$	37,764.54	\$	

markup needed per mmbtu
markup needed per CCF

\$	10.65	\$	11.43
\$	1.50	\$	1.234

USE IN PRICE CHANGE
FORMULA

Wholesale cost of gas per mmbtu
Retail Cost of Gas per mmbtu
Retail Cost of Gas per CCF

11.95 + 3.25	\$	3.25	\$	3.25
	\$	13.90	\$	14.68
	\$	1.50	\$	1.59

Revenue from markup
Revenue from monthly charge
Cost of gas purchased
Total income

\$	301,063.93	\$	269,600.47
\$	61,887.00	\$	33,406.80
\$	91,837.89	\$	76,670.28
\$	454,788.82	\$	379,677.55

\$	Projected Metered Sales
	834,466.37

0.1080 heating factor (convert mmbtu to CCF)

\$	165,000.00	Transportation Cost & member fees
\$	0.40	Fire Marshall Meter Charge per year
Expenses - budget categories		
Personal Services	\$ 295,281.00	
Operating Expenses	\$ 86,045	(does not include gas purchased)
Supplies and Materials	\$ 1,125	
Capital Outlay	\$ 35,300	(85,300 - 50,000 of profit margin)
	\$ 417,751.00	

Gas price made up of
cost of gas (from NPGA)
department costs

base rate covers costs to bring gas to meter

transportation
storage
membership fees
fire marshall fees
other budgeted expenses
personal services
operating expenses not covered elsewhere
capital outlay costs
profit margin (15% recommended by auditor)

NO CHANGE TO MINIMUM MONTHLY CHARGE
\$83,000 DESIRED PROFIT MARGIN

Transportation Cost
+ Budgeted Expenses
+ Desired Reserve
- Minimum monthly charge
markup needed per mmbtu

sample residence	sample commercial
140 ccf	215 ccf
5 ccf	100 ccf
	7 ccf
\$	\$
173.32	294.02
18.00	152.11
	37.34

ORDINANCE NO. 2024-07

AN ORDINANCE OF THE CITY OF ALMA, NEBRASKA ESTABLISHING MUNICIPAL GAS SYSTEM RATES; REPEALING ALL PRIOR ORDINANCES OR PARTS OF ORDINANCES IN CONFLICT WITH THIS ORDINANCE; PROVIDING FOR PUBLICATION; AND TO PROVIDE FOR AN EFFECTIVE DATE;

BE IT ORDAINED BY THE MAYOR AND COUNCIL OF THE CITY OF ALMA, NEBRASKA
AS FOLLOWS:

SECTION 1. GAS RATES. The gas rates for customers of the City of Alma municipal gas system are hereby set as follows:

Residential:

For services to individually metered homes and apartments for domestic purposes.

- A. MINIMUM CHARGE. \$12.25
- B. PRICES FOR GAS COMMODITY. The prices for the gas commodity used by Alma municipal gas customers as of this ordinance are as follows:
- | | |
|--------------------------|-------------|
| A Delivery Charge of | \$0.591/CCF |
| A Purchase Gas Charge of | \$0.500/CCF |
- C. VARIABLE PRICES. The price for delivery charge will be updated hereafter based on the approved annual budget. The purchase gas charge will fluctuate hereafter from month to month based on the cost of gas charged to the City of Alma by its natural gas supplier.

General Services:

For services to individually metered buildings for other than domestic purposes.

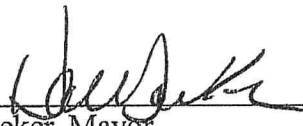
- A. MINIMUM CHARGE. \$28.70
- B. PRICES FOR GAS COMMODITY. The prices for the gas commodity used by Alma municipal gas customers as of the date of this ordinance are as follows:
- | | |
|--------------------------|-------------|
| A Delivery Charge of | \$0.674/CCF |
| A Purchase Gas Charge of | \$0.500/CCF |
- C. VARIABLE PRICES. The price for delivery charge will be updated hereafter based on the approved annual budget. The purchase gas charge will fluctuate hereafter from month to month based on the cost of gas charged to the City of Alma by its natural gas supplier.

SECTION 2. REPEAL OF CONFLICTING ORDINANCES. That all ordinances or parts of ordinances in conflict with this ordinance are hereby repealed;

SECTION 3. EFFECTIVE DATE. That this ordinance shall become effective and be in full force from and after its passage, approval, and publication as required by law.

PASSED AND APPROVED this 20th day of May, 2024.

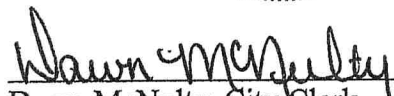
CITY OF ALMA, NEBRASKA



Hal Haeker, Mayor

(SEAL)





Dawn McNulty, City Clerk