

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	24411	Agenda Number	102.
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Meeting Date:	5/9/2013	Department:	Telecommunications and Reg Affairs
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Subject

Conduct a public hearing and consider an ordinance regarding Texas Gas Service's proposal to increase customer gas rates.

Amount and Source of Funding

Fiscal Note

A fiscal note is attached.

Purchasing Language:

Prior Council Action:

February 28, 1013 - Suspension of Texas Gas Service's proposed rates granted.

April 25, 2013 - Set a public hearing for May 9, 2013.

For More Information:

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Boards and Commission Action:

MBE / WBE:

Related Items:

Additional Backup Information

On February 11, 2013, Texas Gas Service (TGS), a division of ONEOK, Inc., filed its Gas Reliability Infrastructure Program (GRIP) filing in Austin and in the other Central Texas cities that it serves. Section 104.301 of the Texas Utilities Code allows a gas utility to recover additional invested capital costs through a customer surcharge without filing a full rate case. GRIP rates must be based on reasonable increases in invested capital costs.

The filing notified cities of TGS' intent to increase its revenues by \$4,418,980 to recover increases in plant related to costs such as depreciation and property tax expenses, as well as increased net plant investments at the rate of return authorized by the City during the last full rate case in 2008.

On February 28, 2013, the City Council suspended the effective date of the proposed increase to a date no earlier than May 27, 2013, to provide city staff an opportunity to properly review TGS's filing with the assistance of an outside

rate consultant. The City coordinated its efforts with other cities, including Buda, Cedar Park, Rollingwood, Sunset Valley, and Westlake Hills.

After a complete and thorough review of this GRIP filing, the City's third party rate consultant has indicated that TGS' proposal complies with the Texas Utilities Code, and is reasonable with respect to the costs and rate of return proposed through this GRIP filing. The GRIP schedules compute TGS' Central Texas GRIP revenue requirements and associated rate design to customer classes using the rate design methodology approved by the City in 2008.

The primary reason for the increase in TGS' GRIP revenue requirement from what was approved by the City in TGS' prior GRIP filing relates to the significant increase of \$26.9 million in net plant investments occurring during the period January 1, 2012 through December 31, 2012.

Below is a chart that reflects the customer rate impact since 2008:

Rate Schedule - Customer Class	COA Approved Customer Charge			TGS Proposed 2012	TGS Proposed 2012	FSA Proposed 2012
	2008	2010	2011	Interim Rate Adjustment	Customer Charge	Customer Charge
	(a)	(b)	(c)	(d)	(e)	(f)
<u>Gas Sales</u>						
10 - Residential	\$ 9.75	\$ 10.21	\$ 11.33	\$ 1.29	\$ 12.62	\$ 12.62
20 - Commercial	\$ 12.75	\$ 14.36	\$ 18.41	\$ 4.82	\$ 23.23	\$ 23.23
22 - Large Commercial	\$ 80.00	\$ 97.84	\$ 158.68	\$ 54.99	\$ 213.67	\$ 213.67
30 - Industrial	\$ 40.00	\$ 46.26	\$ 64.34	\$ 24.49	\$ 88.83	\$ 88.83
32 - Large Industrial	\$ 80.00	\$ 105.10	\$ 166.62	\$ 66.47	\$ 233.09	\$ 233.09
40 - Public Authority	\$ 20.00	\$ 22.22	\$ 27.93	\$ 6.21	\$ 34.14	\$ 34.14
42 - Large Public Authority	\$ 80.00	\$ 111.13	\$ 186.08	\$ 81.10	\$ 267.18	\$ 267.18
48 - Public Schools/Space Heating	\$ 40.00	\$ 46.86	\$ 64.17	\$ 15.41	\$ 79.58	\$ 79.58
CNG -1- Compressed Nat. Gas	\$ 25.00	\$ 29.27	\$ 38.94	\$ 6.13	\$ 45.07	\$ 45.07
<u>T-1 Standard Transportation</u>						
Commercial	\$ 75.00	\$ 86.38	\$ 113.42	\$ 29.59	\$ 143.01	\$ 143.01
Large Commercial	\$ 150.00	\$ 187.03	\$ 278.54	\$ 102.56	\$ 381.10	\$ 381.10
Industrial	\$ 80.00	\$ 97.61	\$ 140.33	\$ 49.68	\$ 190.01	\$ 190.01
Large Industrial	\$ 150.00	\$ 224.19	\$ 406.02	\$ 106.42	\$ 512.44	\$ 512.44
Public Authority	\$ 25.00	\$ 28.16	\$ 34.64	\$ 6.16	\$ 40.80	\$ 40.80
Large Public Authority	\$ 100.00	\$ 141.64	\$ 249.69	\$ 103.08	\$ 352.77	\$ 352.77
Public Schools/Space Heating	\$ 60.00	\$ 67.03	\$ 84.44	\$ 20.47	\$ 104.91	\$ 104.91
CNG -1- Compressed Nat. Gas	\$ 40.00	\$ 41.57	\$ 45.42	\$ 4.50	\$ 49.92	\$ 49.92

City staff recommends that the City Council approve and adopt TGS' GRIP schedules and tariffs as submitted to the City on February 11, 2013.