

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	32538	Agenda Number	61.
Meeting Date:	5/15/2014		Department:	Telecommunications and Reg Affairs
Subject				
Conduct a public hearing and consider an ordinance regarding Texas Gas Service's proposal to increase customer gas rate.				
Amount and Source of Funding				
Fiscal Note				
A fiscal note is not required.				
Purchasing Language:				
Prior Council Action:	March 20, 2014 – Suspension of Texas Gas Service's proposed rates granted. May 1, 2014 - Set a public hearing for May 15, 2014.			
For More Information:	Rondella M. Hawkins, Office of Telecommunications and Regulatory Affairs, (512) 974-2422			
Boards and Commission Action:				
MBE / WBE:				
Related Items:				
Additional Backup Information				
<p>On February 11, 2014, Texas Gas Service (TGS), a division of ONE Gas, Inc. filed its Gas Reliability Infrastructure Program (GRIP) filing to increase its revenues by \$5,664,928 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 new customer surcharge without filing a full rate case. GRIP rates must be based on reasonable increases in invested capital costs.</p> <p>On March 20, 2014, the City Council suspended the effective date of the proposed increase to a date no earlier than May 29, 2014, to provide city staff an opportunity to properly review TGS's filing with the assistance of an outside rate consultant.</p> <p>The City coordinated its efforts with other cities, including Cedar Park, Kyle, Lakeway, Rollingwood, Sunset Valley, and Westlake Hills.</p>				

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 \$38.9 million in net plant investments occurring during the period January 1, 2013 through December 31, 2013.

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

**TEXAS GAS SERVICE COMPANY
CENTRAL TEXAS SERVICE AREA
INTERIM COST RECOVERY AND RATE ADJUSTMENT
TARIFF CHANGES FROM 2008 THROUGH 2012**

CHANGE IN CUSTOMER CHARGE BY CUSTOMER CLASS

Rate Schedule - Customer Class	COA Approved Customer Charge				TGS Proposed 2013	TGS Proposed 2013	FSA Proposed 2013
	2008	2010	2011	2012	Interim Rate Adjustment	Customer Charge	Customer Charge
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
<u>Gas Sales</u>							
10 - Residential	\$9.75	\$10.21	\$11.33	\$12.62	\$1.62	\$14.24	\$14.24
20 - Commercial	\$12.75	\$14.36	\$18.41	\$23.23	\$6.19	\$29.42	\$29.42
22 - Large Commercial	\$80.00	\$97.84	\$158.68	\$213.67	\$72.29	\$285.96	\$285.96
30 - Industrial	\$40.00	\$46.26	\$64.34	\$88.83	\$29.44	\$118.27	\$118.27
32 - Large Industrial	\$80.00	\$105.10	\$166.62	\$233.09	\$107.20	\$340.29	\$340.29
40 - Public Authority	\$20.00	\$22.22	\$27.93	\$34.14	\$8.14	\$42.28	\$42.28
42 - Large Public Authority	\$80.00	\$111.13	\$186.08	\$267.18	\$100.17	\$367.35	\$367.35
48 - Public Schools/Space Heating	\$40.00	\$46.86	\$64.17	\$79.58	\$18.93	\$98.51	\$98.51
CNG -1- Compressed Nat. Gas	\$25.00	\$29.27	\$38.94	\$45.07	\$7.54	\$52.61	\$52.61
<u>T-1 Standard Transportation</u>							
Commercial	\$75.00	\$86.38	\$113.42	\$143.01	\$39.20	\$182.21	\$182.21
Large Commercial	\$150.00	\$187.03	\$278.54	\$381.10	\$142.21	\$523.31	\$523.31
Industrial	\$80.00	\$97.61	\$140.33	\$190.01	\$67.48	\$257.49	\$257.49
Large Industrial	\$150.00	\$224.19	\$406.02	\$512.44	\$272.84	\$785.28	\$785.28
Public Authority	\$25.00	\$28.16	\$34.64	\$40.80	\$8.14	\$48.94	\$48.94
Large Public Authority	\$100.00	\$141.64	\$249.69	\$352.77	\$111.85	\$464.62	\$464.62
Public Schools/Space Heating	\$60.00	\$67.03	\$84.44	\$104.91	\$26.38	\$131.29	\$131.29

CNG -1- Compressed Nat. Gas	\$40.00	\$41.57	\$45.42	\$49.92	\$5.77	\$55.69	\$55.69
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Changes to the rates or changes of a City franchisee are required by City Charter to be considered in a public hearing prior to approval. City staff recommends that the City Council approve and adopt TGS' GRIP schedules and tariffs as submitted to the City on February 11, 2014.