

TO: Austin City Council

FROM: Texas Gas Service Company

DATE: January 24, 2018

RE: Texas Gas Service Company Response to February 1, 2018 Agenda Item 122

Texas Gas Service Company, a division of ONE Gas, Inc., (“TGS” or the “Company”) submits this response to the City of Austin’s February 1, 2018, Agenda Item 122. This agenda item relates to the City of Austin’s consideration of a complaint brought by Paul Robbins on December 22, 2017, regarding TGS’s 2018 Conservation Adjustment Clause rate. Because the Company and the city followed the process required by the Company’s tariffs, TGS requests that the city adopt an ordinance confirming such compliance and approving the Company’s 2018 rate for conservation programs.

TGS currently administers a Conservation and Energy Efficiency program in the incorporated areas of its Central Texas Service Area pursuant to two tariffs: (1) a Conservation Adjustment Clause (Rate Schedule CAC) that sets out the terms for the program and the related rate computation, and (2) a Conservation Adjustment Clause Rate (Rate Schedule 1C) that contains the actual rate charged to residential and commercial customers. The cities in the Company’s Central Texas Service Area, including the City of Austin, approved these tariffs as part of the Company’s Statement of Intent filing in 2016. In addition, TGS’s franchise agreement with the City of Austin requires it to offer conservation and energy efficiency programs within the city, which it has done since 1999. TGS has had conservation tariffs like the ones the council approved in 2016 in effect within the City of Austin since the 1980s.

Pursuant to Rate Schedule CAC, TGS annually files its proposed Energy Efficiency Program budget for the upcoming fiscal year with the City of Austin. The annual filing also includes a narrative explaining the budget, any changes to rebates offered under the program and calculation of the proposed Conservation Adjustment Clause (CAC) rates. The programs in the proposed budget are evaluated by a third-party consultant hired by the Company, Paul Raab, and undergo analysis as prescribed by the California Standard Practice Manual. Mr. Raab is an expert quantitative economist who has testified before numerous state regulatory authorities and various federal commissions on behalf of electric, gas and telephone utilities. Further, in compliance with Rate Schedule CAC, the Company’s overall conservation program portfolio has been deemed cost-effective under Mr. Raab’s analysis.

Consistent with the requirements of Rate Schedule CAC, TGS filed its 2018 budget proposal with the City of Austin on October 13, 2017. According to Rate Schedule CAC, the city had until November 30<sup>th</sup> to take action on the budget, which it did when it granted administrative approval on November 29, 2017. Thus, the Company followed the process set out in the tariff for approval of its proposed budget. While the 2018 budget and associated CAC rate initially provided for an effective date of December 27, 2017, the Company voluntarily agreed to delay implementation of the approved CAC rate until January 26, 2018 to allow additional time for consideration of Mr. Robbins’ complaint, including a hearing, under Texas Utilities Code Section 104.105.

Several months prior to the 2018 budget filing, the Company began discussions with the City of Austin’s Office of Telecommunications and Regulatory Affairs (TARA) regarding intended program modifications to improve the overall cost-effectiveness of the conservation program and prudently apply budget dollars to the programs. TGS also complied with the Resource Management Commission’s (“RMC”) request to review the draft budget prior to the October 15, 2017, filing date provided for in Rate

Schedule CAC. TGS provided the draft budget to the RMC for its review on September 1, 2017, and addressed follow-up questions and concerns from both the RMC and Mr. Robbins' in writing. Mr. Robbins' actively participated in the RMC review process. TGS appeared in person to review and discuss the filed budget and Cost/Benefit analysis findings at the October 17, 2017, RMC meeting where commissioners passed a motion recommending approval of the budget as filed. Within the 45-day review period provided for in the tariff, TGS responded to additional requests for information from the TARA office. After receiving the proposed 2018 budget, TARA presented the filing to the RMC to obtain input for TARA's consideration during its review. The City of Austin, through TARA and the RMC, has engaged in substantial efforts to review and analyze the Company's conservation program and proposed budget for 2018.

The Company respectfully requests that the Austin City Council adopt an ordinance following the February 1, 2018, hearing determining that the Company's CAC rate for 2018 is proper, reasonable and in compliance with Rate Schedule CAC. In support of this request, the Company includes the following attachments:

Attachment 1: Rate Schedule CAC and Rate Schedule 1C effective January 26, 2018

Attachment 2: A copy of TGS's filing with the City of Austin filed October 13, 2017

Attachment 3: A copy of the City of Austin's administrative approval

Attachment 4: A copy of the October 17, 2017 RMC Meeting Minutes

Attachment 5: A copy of correspondence between TGS, the RMC, and Paul Robbins responding to Paul Robbins' questions prior to the October 17<sup>th</sup> meeting

Attachment 6: A copy of TGS responses to Rondella Hawkins' Requests for Information

Attachment 7: A copy of TGS responses to Paul Robbins' First Request for Information

Attachment 8: A copy of TGS responses to Paul Robbins' Second Request for Information

Attachment 9: A copy of TGS responses to Paul Robbins' Third Request for Information

Attachment 10: A copy of TGS responses to Paul Robbins' Fourth Request for Information