



MEMORANDUM

TO: Elaine Hart, Interim City Manager

FROM: Rondella Hawkins, Telecommunications and Regulatory Affairs Officer *PH*

DATE: January 30, 2018

SUBJECT: Item #122 on February 1, 2018 Council Agenda - Complaint against Texas Gas Service Conservation Adjustment Clause Rate

This item requests City Council to conduct a public hearing on February 1, 2018, to consider a customer complaint regarding Texas Gas Service's increase to the Conservation Adjustment Clause rate to fund their gas conservation and energy efficiency program. You will find the complaint from Mr. Paul Robbins and Texas Gas Service Company's response attached as back-up materials. The complaint concerns the 2018 Texas Gas Service Residential Conservation Program rebates that have a benefit/cost ratio of less than 1.0 as measured by the Total Resource Cost Test.

Texas Gas Service hires an outside expert to conduct a series of benefit/cost tests that are commonly used to evaluate the cost effectiveness of natural gas conservation and energy efficiency programs. There are a total of 5 tests: 1) Participant Test 2) Total Resource Cost 3) Societal Cost 4) Program Administrator Test and 5) Rate Impact Measure Test. TGS uses the combination of tests to help design their rebate portfolio but does not solely base their programming or rebate amounts on the cost-effectiveness test for each individual programs for selection criteria.

City staff reviewed TGS's proposed 2018 conservation program budget and the benefit/cost evaluations conducted by their expert consultant which consisted of the 5 industry standard tests on the program for a partial year of 2017. TGS made multiple adjustments through program additions and programs to sunset and the reduction of the tankless hot water rebate from \$600 to \$400.

TGS presented their 2018 proposed budget to the Resource Management Commission (RMC) which recommended approval to TARA. My office administratively approved the 2018 budget which approved the CAC rate that became effective on January 27, 2018. It's TARA's goal to work with TGS and the RMC and other stakeholders to continually make improvements to the TGS-operated program.

Staff recommends that Council approve an ordinance determining that the Conservation Adjustment Clause (CAC) rate for 2018 is proper, reasonable and in compliance with the adopted Rate Schedule CAC tariff and applicable law.

cc: Mark Washington, Assistant City Manager