

AGENDA

**Recommendation for Council Action**

AUSTIN CITY COUNCIL
Regular Meeting: May 24, 2018

Item Number: **066**

Public Hearing and Possible Action

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

Lead Department	Telecommunications and Regulatory Affairs.
Fiscal Note	This item has no fiscal impact.
Prior Council Action	Suspension of Texas Gas Service's proposed rates on April 12, 2018 granted. Council voted to set the public hearing at the April 26, 2018 meeting.
For More Information	Rondella M. Hawkins, TARA Officer; (512) 974-2422.

Additional Backup Information:

The proposed ordinance approves two rate changes by Texas Gas Service a division of ONE Gas, Inc., (TGS)-a rate increase to recover capital investments in 2017 and a larger rate decrease caused by the federal reduction in corporate taxes at the start of 2018.

On March 2, 2018, TGS filed its annual Gas Reliability Infrastructure Program (GRIP) filing in Austin and in the other cities it serves in the Central Texas service area (CTXSA). Other cities include Bee Caves, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart,

Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills, and Yokum, Texas.

The GRIP filing notifies cities of Texas Gas Service's intent to increase rates by \$3,288,369 which is based on the net increase in capital investment in the CTXSA for the period of January 1, 2017 through December 31, 2017. This filing was made under Texas Utilities Code, Section 104.301 that allows a gas utility to annually recover capital investments in gas pipeline infrastructure and related expenses made during the interim period between formal rate case filings. Operation and maintenance costs are not recovered through GRIP. On April 12, 2018, the City Council suspended the effective date of the proposed GRIP increase by 45 days until June 16, 2018, to allow time to complete the compliance review of TGS's filing.

On March 26, 2018, pursuant to Section 104.111 of the Gas Utility Regulatory Act, (GURA), TGS filed notice of intent to reduce its rates to reflect the change in the federal corporate tax rate from 35% to 21% that went into effect January 1, 2018. The proposed rates, terms, and conditions will decrease the revenues paid by CTSA cities by \$4,365,407 from the amount allowed under the currently approved rates.

In addition to this reduction in rates going forward, TGS will also provide a refund to customers for revenues collected from January 1, 2018 through June 15, 2018 that reflected a corporate tax rate of 35% rather than 21%. This total refund will amount to \$2,248,798 which will be issued to affected customers in the form of a one-time bill credit in the amount of \$9.66 no later than the first billing cycle of June.

On a net basis, TGS is lowering CTXSA rates by \$1,077,038. The net impact to the average residential customer's bill is a monthly decrease of \$0.54, along with a one-time credit of \$9.66. TGS proposes that the rate changes go into effect on June 16, 2018.

Article XI of the City Charter requires that City Council conduct a public hearing before taking action on the proposed rates.

The reviews of the GRIP filing and of the proposed rate reduction filing determined both are mathematically accurate and are in accordance with state regulations.

Staff recommends that Council approve the proposed ordinance.