



# City of Austin Audit & Finance Committee Presentation

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Larry Graham and Stacey McTaggart  
November 20, 2019



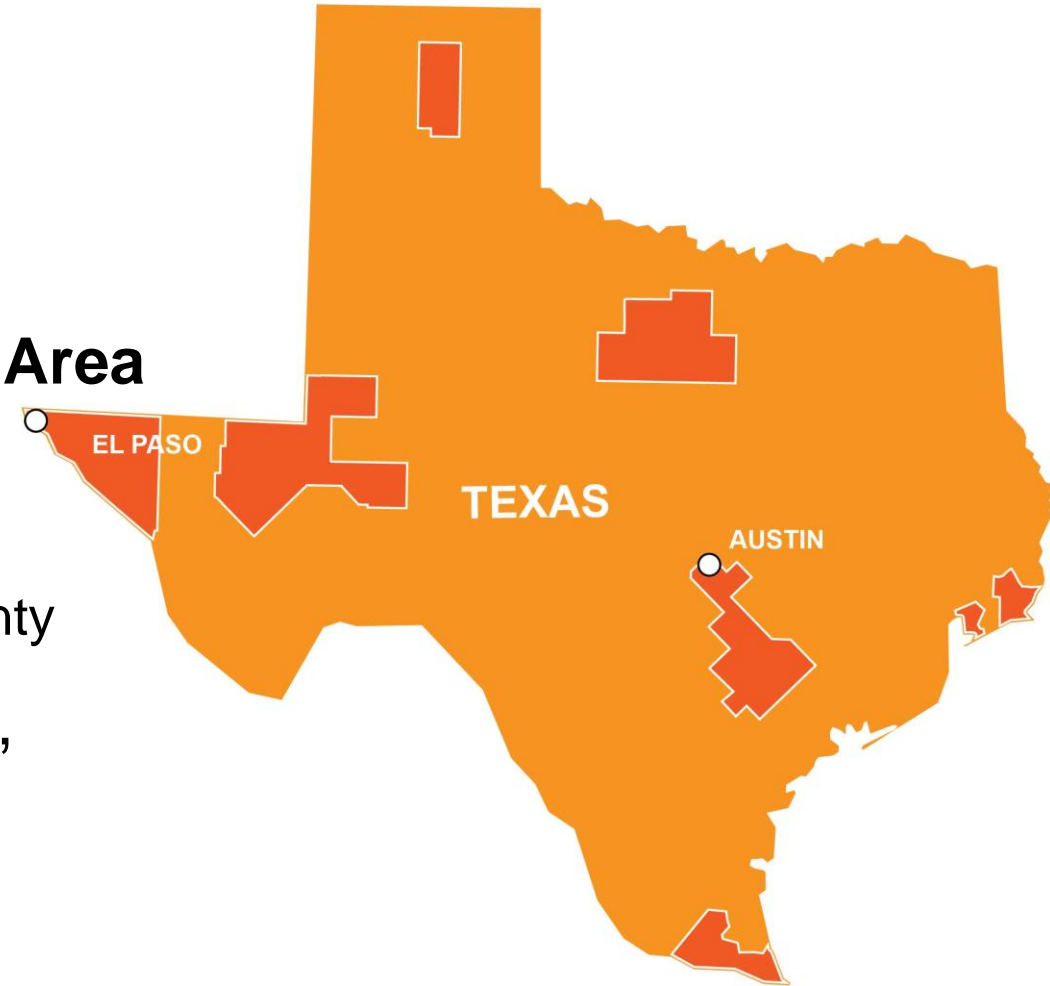
# Who We Are

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# Areas & Customers

- A division of ONE Gas
  - Also has divisions in Oklahoma and Kansas
- 667,000 customers in Texas
- 260,000 customers in **Central Texas Service Area**
  - 220,000 within Austin city limits
  - 18,000 in 15 other incorporated cities
  - 22,000 in unincorporated areas, mainly Travis County
- Also in El Paso, Rio Grande Valley, Galveston, Port Arthur, North Texas and Permian



# Our Austin Footprint

- 350 employees
- Three locations
  - Service Center at Avenue F and Koenig
  - Division Office at Barton Skyway and Mopac
  - Training Center at St. Elmo
- Active Member of the Austin Community





# Texas Gas Service Rates in Austin

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# Rates in Austin: How We Compare\*

- **7<sup>th</sup> lowest residential** natural gas bills out of 41 cities surveyed
- **14<sup>th</sup> and 11<sup>th</sup> lowest commercial** bills out of the 41 cities surveyed
- Average monthly residential customer bill in Austin last year was \$37.85 with 33 Ccf (net of taxes)
- Average summer bill was \$25.15 (11 Ccf; net of taxes)
- Average winter bill was \$62.63 (76 Ccf; net of taxes)

*\*According to Memphis Light and Gas Survey published January 1, 2019*

# Energy Efficiency Program

FY 2018

- \$3.47 million budget approved by City of Austin Nov. 29, 2018
- Input from/reporting to the Resource Management Commission
- \$2.084 million in residential rebates
- 9,283 residential rebates issued
- 160 natural gas appliances replaced for elderly/low-income customers
- Partnership with Austin Energy
- Residential customers pay \$1.19 per month

# The Regulatory Process

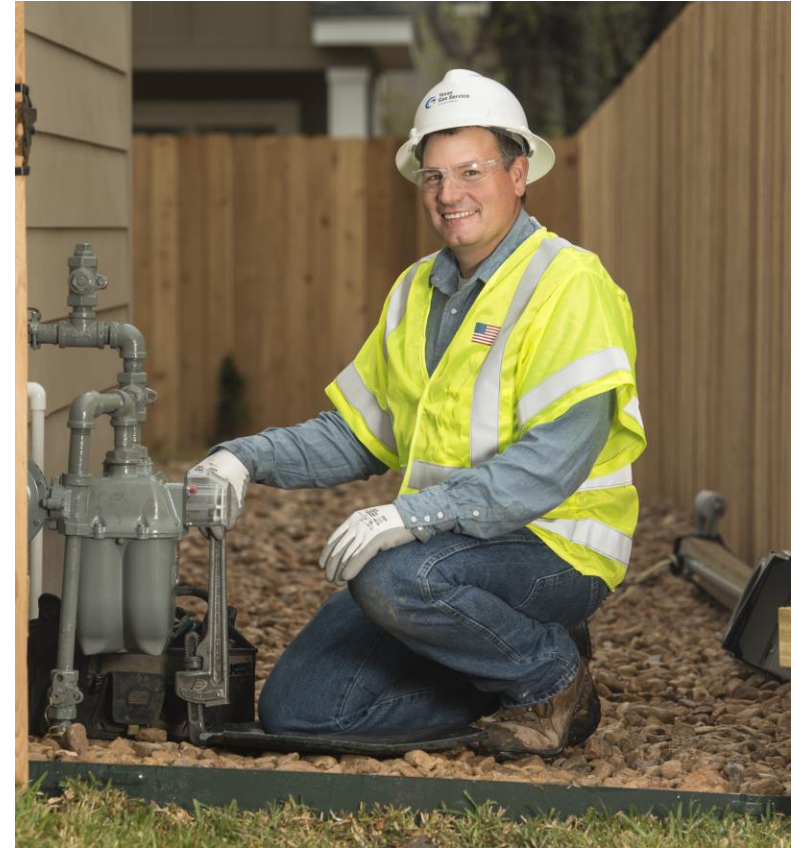
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# Regulatory Jurisdiction in Texas

- Cities have original jurisdiction over rates within their city limits
- Railroad Commission of Texas (RRC):
  - Original jurisdiction over rates in unincorporated areas
  - Appellate jurisdiction over rates within the city limits
  - Statewide responsibility for pipeline safety, including promulgating rules and enforcing safety rules
  - Maintains current tariffs for all utilities



# Objectives of the Rate Regulatory Process

## **Provides the utility with an opportunity for a reasonable return on its investment**

- Ensures utility expenditures are prudent
- Ensures rates are sufficient to allow the utility to attract capital

## **Ensures consumers are charged a fair and reasonable price for service**

- Rates should approximate those that would be charged if the enterprise were not a regulated entity and was subject to competition
- Rates should be “just and reasonable” and “non-discriminatory”

# Customer Bills

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# Actual October 2019 Bill

**RATE SCHEDULE(S) AVAILABLE UPON REQUEST**  
**GAS SERVICE INFORMATION - RETAIN FOR YOUR RECORDS**

For service, bill inquiries, or assistance, call  
Customer Service: 1-800-700-2443  
Gas leaks: 1-800-499-6325  
Payments by Phone: (866) 780-5488

www.texasgasservice.com  
Texas Gas Service  
PO BOX 219913  
Kansas City MO 64121-9913

Natural gas is a safe, clean and reliable form of energy when used properly.  
Read the enclosed insert for important natural gas safety information.

Page 1 of 1

**Do Not Pay** **\$43.9**

**Will Be Drafted from Your Financial Institution** **10-28-1**

**Account Number** **910051575 1400024 9**

Rate AUST US RES  
Active Deposit NONE Statement Date 10-10-1

BC Settlement After Payment \$81.67CR

Previous Balance \$43.96  
Payments Received 43.96CR  
Balance Forward

Customer Charge \$18.81  
Delivery Charge 1.21  
Cost Of Gas 3.40  
Weather Normalization 0.01  
Conservation Adjustment 1.19  
Pipeline Safety (Per Ccf \$0.00449) 0.04  
City Franchise Fee 1.32  
Reimb for Gross Receipts Tax 0.54  
City Tax 0.26  
Current Charges 26.78

ABC Charge

**Total Amount Due**

**Your Energy Use**

100  
50  
0  
O N D J F M A M J J A S O  
2018 2019

Period current 31 Days 31 Ccf 10.000  
Period 1st Year 31 Days 31 Ccf 17.000

Meter or Station Number 7J462908  
Service Period From 09-06-19 To 10-07-19  
Number of Days 31  
Meter Readings Previous 4665 Present 4675  
Constant 1.0000  
Ccf Billed 10.000  
WNA/ Ccf 0.0014863

**Texas Gas Service.**  
A Division of ONE Gas  
PO BOX 21427 • El Paso TX 79911-0427

ELECTRONIC SERVICE REQUESTED

Please return this portion when paying by mail. When paying in person, please bring this entire bill.

Share the Warmth helps disadvantaged Texans with home heating costs. To contribute, please include an overpayment and check the box to the left.

Account Number 910051575  
Do Not Pay  
Will Be Drafted

0016261 S1 YNYYNN 80  
ANDREA GRISWOLD  
5909 BULL CREEK RD  
AUSTIN TX 78757-3101

TEXAS GAS SERVICE  
PO BOX 219913  
KANSAS CITY, MO 64121-9913

00 910051575140002491 000004396

Customer Charge	\$18.81
Delivery Charge	1.21
Cost Of Gas	3.40
Weather Normalization	0.01
Conservation Adjustment	1.19
Pipeline Safety (Per Ccf \$0.00449)	0.04
City Franchise Fee	1.32
Reimb for Gross Receipts Tax	0.54
City Tax	0.26
Current Charges	26.78
ABC Charge	43.96
<b>Total Amount Due</b>	<b>\$43.96</b>

# Rate Design

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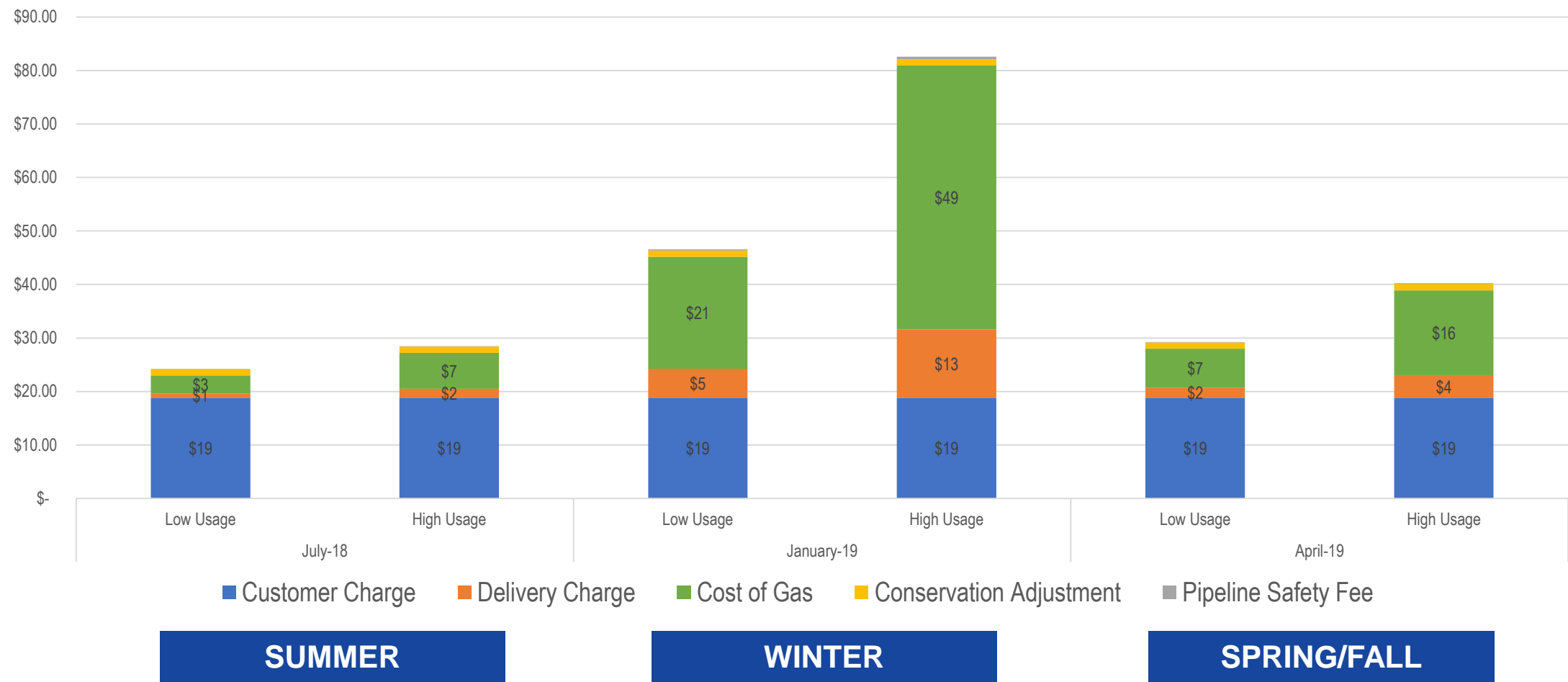
# Current Rate Design

- Develop rates that will allow Texas Gas Service to recover approved revenue requirement fairly and equitably from all customers
- Give Texas Gas Service a reasonable opportunity to earn the allowed rate of return
- 2019 charges for residential customers in the City of Austin
  - Current customer charge: \$18.81
  - Delivery/Volumetric rate: \$0.12061 Ccf



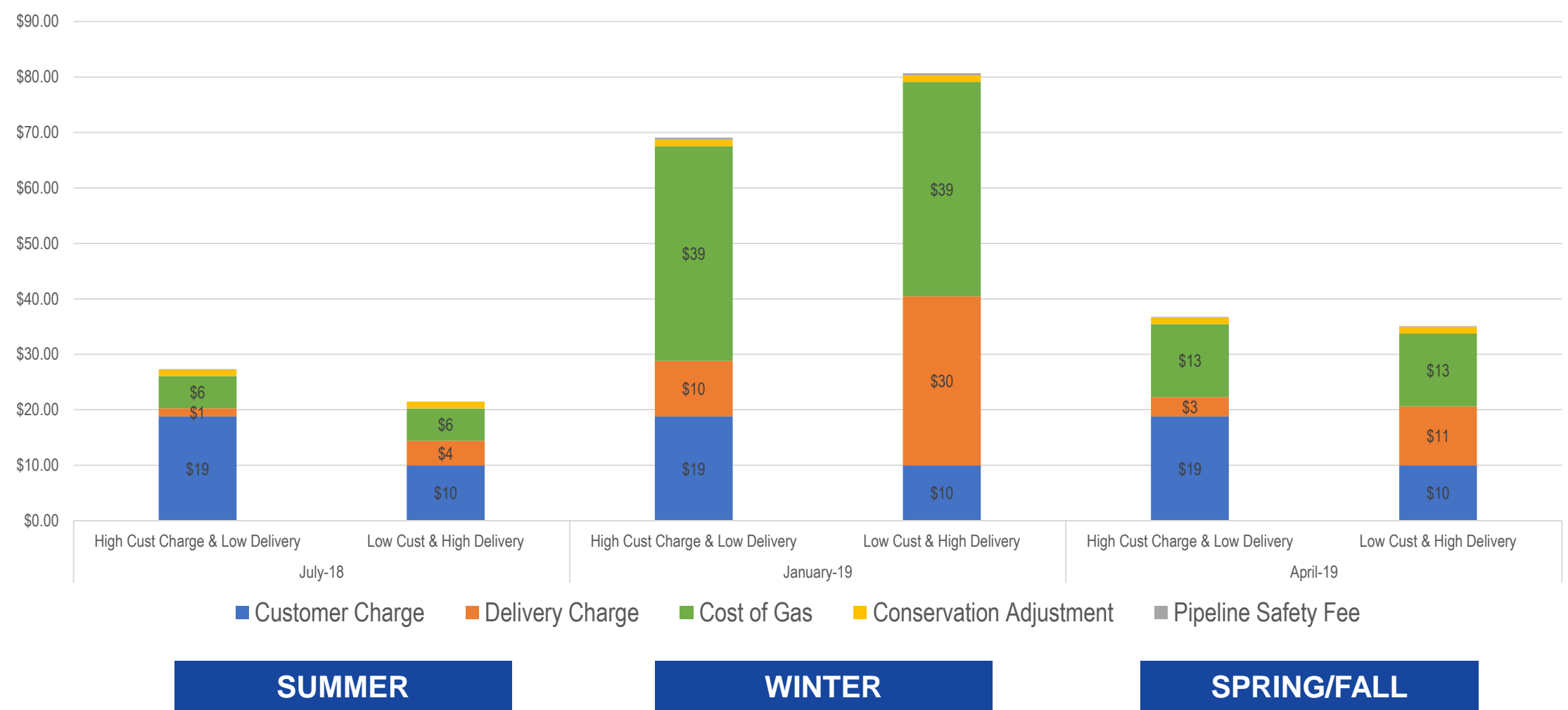
# Current Rates

## Weather is the Key Driver of Customer Bills



# Alternative Rate Design

## Lower Customer Charge Leads to Higher Winter Bills



# ABC Plan – Average Bill Calculation

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- Allows customers to pay the same amount each month, avoiding seasonal fluctuations
- Helps with monthly budgeting
- Based on customer's billing history
- Evaluated and updated each year

# Rate Design Proposal

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# Proposal for New Rate Design

- Propose two residential customer options: “A” or “B”
  - Design based on customer’s historical annual consumption
- Rate Design A
  - Lower customer charge
  - Higher delivery/volumetric rate
- Rate Design B
  - Higher customer charge
  - Lower delivery/volumetric rate
- Responsive to concerns of the customer charge on low usage and low income customers
- Allows customers to choose the best option for them

# Process for the Rate Case

- City Council has authority to approve rate increases for customers in Austin
- Office of Telecommunications and Regulatory Affairs (TARA) oversees regulatory filings and related issues (i.e., franchise, complaints)
  - Rondella Hawkins, Officer
- TARA staff and their rate consultant will work with the City Manager, City Law Dept. and Texas Gas Service to try to reach an agreement regarding the filing
- Final outcome will go before City Council for approval

# Timeline

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- Plan to file on December 20, 2019
  - Austin and all the other cities in the service area
- City must suspend implementation of rates by 35<sup>th</sup> day (January 24) to allow an additional 90 days of review
  - If the City takes no action, the proposed rates can go into effect
- Cities' jurisdiction ends at the 125<sup>th</sup> day (35 days + 90 days) – April 23, 2020

# Thank You

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Questions?

