



Recommendation for Action

File #: 20-1720, **Agenda Item #:** 38.

4/9/2020

Posting Language

Conduct a public hearing and consider an ordinance concerning a change to gas rates proposed by Texas Gas Service Company.

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 January 23, 2020. On March 26, 2020, set a Public Hearing Scheduled for April 9, 2020.

For More Information:

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Additional Backup Information:

On December 20, 2019 Texas Gas Service Company, a division of ONE Gas, Inc. (TGS) filed a rate application to change gas utility rates with the City and other cities in the Central Texas service area (CTSA), the Gulf Coast service area (GCSA) and the City of Beaumont that have original jurisdiction over their rates and services, effective February 6, 2020. Cities in the CTSA include Austin, Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Rollingwood, Shiner, Sunset Valley, Nixon, West Lake Hills and Yoakum. Cities in GCSA include Bayou Vista, Galveston, Groves, Jamaica Beach, Nederland, Port Arthur and Port Neches, and the City of Beaumont. Simultaneously with this city-level filing, TGS also filed with the Railroad Commission of Texas (Gas Utility Docket 10928) for the unincorporated areas of the CTSA, GCSA and City of Beaumont.

Under the application, TGS is proposing to consolidate their Gulf Coast, Central Texas and Beaumont service areas into a new service area called the Central-Gulf Coast Service area (CGSA). They are proposing to increase system-wide distribution rates by \$17 million annually which is an increase of 9.43% including gas costs, or 15.64% excluding gas costs.

TGS proposes the implementation of new CGSA tariffs and the withdrawal of the CTSA and GCSA incorporated and environs tariffs. TGS's new proposed tariff includes: (1) a new residential A/B rate design that provides options for customers based on usage patterns; (2) rate schedules for unmetered gas street lights; (3) a rate schedule rider to return excess deferred income taxes back to customers; (4) a rate schedule to recover approved Hurricane Harvey costs; (5) a rate schedule to recover pipeline integrity testing costs; and (6) a rate schedule that allows TGS to recover extraordinary expenses for restoring service after storms and natural disasters.

Austin intervened in the environs customer proceeding at the Railroad Commission to monitor information

submitted that may assist the City with its review. The City hired outside counsel and rate consultants to represent the City on this matter and to review the ratemaking documentation submitted by TGS to evaluate the reasonableness of the rate filings. Unless the City approves, modifies or denies the proposed rates before May 6th, under state law TGS could impose the rate increase. The City's legal counsel and rate consultants have determined that the proposed rates are unreasonable and excessive, and therefore has advised the joined municipalities to deny the requested rate increase and service area consolidation. The effect will allow TGS to continue charging its current rates. The City, along with the joined municipal groups, will continue to engage through legal counsel and consultants with TGS in the hope of reaching a settlement compromise that results in just and reasonable rates.

City staff agrees with the advice of legal counsel and its rate consultants and recommends adoption of an ordinance denying TGS's proposed rate increase.