RECOMMENDATION

The Austin Resource Management Commission requests the Austin City Council expand Commission purview to advise Council on matters related to gas utilities operating in the City of Austin.

BACKGROUND

Texas Gas Service (TGS) is the current and 5th owner of the original gas system that was established in 1874 to provide street lighting. It originally supplied "town gas " produced from gasified coal, oil, and wood knots for fuel supply, switching to fossil-fuel in 1928. The current TGS franchise expires in 2026.

Despite Austin's ownership of its electric and water utilities, it has never municipalized its gas service like San Antonio or Corpus Christi. As such, policies and benefits that are derived from municipal ownership of Austin's electric and water utilities, such as lower rates, clean energy policies, and fairer treatment of low-income customers, are largely absent.

TGS serves about 95% of Austin gas customers, with the balance served by Atmos and Centerpoint in the outermost areas of the city.

In 2022, there were about 228,000 combined Residential natural gas customers in Austin. This is almost half of the total number of Residential customers served by Austin Energy. In the same year, Residential bills totaled $112 million, which was about 20% of the total Residential revenue for Austin Energy. With the inclusion of Commercial and Industrial customers, total gas revenue in Austin was $300 million.

The Resource Management Commission is requesting the Austin City Council to expand its purview to allow the Commission to study the issues and advise City Council on policy related to: 1) fair natural gas rates; 2) better franchise agreements; 3) clean energy (including energy efficiency) at an affordable price; 4) affordability for low- and moderate-income ratepayers.

SUSTAINABILITY CONSIDERATIONS

The carbon footprint of these 3 gas companies is about 34% of Austin Energy's coal and gas plants.

However, unlike Austin Energy, Texas Gas Service, Atmos, and Centerpoint have no comprehensive climate-protection plan. There is no alternative to fossil-fuel based methane that is remotely practical at this time due to economic and technological barriers. Nor is it apparent that any large amount of money is being delegated to fund clean-energy research.

In 2022, Austin Energy obtained 50% of its total use from renewable energy, and is on track to obtain 65% by 2027. In 2021, Austin Energy's efficiency programs saved electricity equal to about 1% of its sales.

In contrast, Texas Gas Service, Atmos, and Centerpoint obtain none of their energy from renewables, and have not announced any plans to change this. TGS has saved only about 0.3 to 0.6% of its total usage through its efficiency programs in 2020. Centerpoint only began a pilot conservation program for Austin in 2022.

SOCIAL EQUITY AND INCLUSIVITY CONSIDERATIONS:

• Texas Gas Service has a poorly-funded, inadequate budget to help low- and moderate-income customers with lower bills. While Austin Energy and Austin Water have a combined Customer Assistance Program annual budget exceeding $20 million, in 2022, TGS' budget was about $100,000. This insufficient budget was particularly stark when contrasted to high fuel costs apparent last year.

• Texas Gas Service has a regressive rate structure, where the more customers use, the less they pay per unit. It has a large flat monthly fee, and no progressively increasing tiers, which greatly differs from Austin Energy and Austin Water. This simultaneously discourages conservation and harms lower-income ratepayer, who generally use less energy.

• Approximately $1.8 million a year is wasted on TGS conservation programs of questionable value. Part of this money could be repurposed for a much more robust bill assistance program for low-income customers.

CITY COUNCIL STRATEGIC PLAN INITIATIVES:

Reducing energy use and renewable energy use are ensconced in the Austin Strategic Plan 2023 in the HEALTH & Environment section, Strategy 12.

Invest in a variety of energy, water, and air quality programs and initiatives that emphasize conservation and environmental protection, and are aligned with our long-term environmental policy goals (e.g. Austin Community Climate Plan, Zero Waste Master Plan).

FINANCIAL CONSIDERATIONS

The economic operation of TGS-Austin has been challenged since it assumed ownership, increasing ratepayer costs and possibly depriving the City of a revenue source.

• Since 2008, TGS rates have risen about 100% adjusted for inflation.

• One of the reasons for this is the small amount of money collected from new customers for joining the system (CIAC, or Capital in Aid of Construction). Austin Energy collects 100% of the money to connect new buildings and developments, while in the last rate case, TGS only collected about 10%.

• In the last rate case, the Central Texas region that contains Austin was combined with the Galveston region. Given the different climates, this forced merger places the TGS-Central Texas region at an economic disadvantage.

• Texas Gas Service pays a 5% franchise fee that goes to Austin's General Fund revenues. This fee is exempted from the fuel portion of the bill of certain large customers. Levying this fee will increase revenues.