

AGENDA



Thursday, March 24, 2011

**Telecommunications & Regulatory Affairs
RECOMMENDATION FOR COUNCIL ACTION****Item No. 38**

Subject: Approve an ordinance suspending a Gas Reliability Infrastructure Program interim customer surcharge proposed by Texas Gas Service.

Fiscal Note: There is no unanticipated fiscal impact. A fiscal note is not required.

For More Information: Rondella M. Hawkins, Manager of the Office of Telecommunications and Regulatory Affairs; (512) 974-2422

Texas Gas Service, a division of ONEOK, Inc., has completed a Gas Reliability Infrastructure Program (GRIP) filing in Austin and in the other Central Texas service area cities that it serves. This filing was made in compliance with legislation passed by the Texas Legislature in 2003 and codified in the Texas Utilities Code Chapter 104. Section 104.301 allows a gas utility to recover additional invested capital costs through a new customer surcharge without filing a full rate case. GRIP rates must be based on reasonable increases in invested capital costs.

The filing notifies cities of Texas Gas Service's intent to increase rates by \$9,466,027 in the Central Texas Service Area. Based on company-provided information, the proposed assessment will increase the average monthly bill for customers, beginning April 11, 2011, and remain in effect until Texas Gas Service has recovered its costs in full. The proposed average monthly increase is: Residential - \$0.48; Commercial - \$ 1.66; Large Commercial - \$18.45; and Industrial - \$6.47.

The City has original jurisdiction to approve or deny a gas utility's GRIP assessment against City customers and to suspend application of the assessment to provide staff an opportunity to properly review the filing.

The City of Austin has retained a rate consultant to evaluate reasonableness of the rate filing. In addition, the City is coordinating efforts with other cities in the Texas Gas Service Central Texas Service area, including Cedar Park, Kyle, Rollingwood, Sunset Valley and Westlake Hills. Although not required by state law, Texas Gas Service has agreed to reimburse the City for related expenses and to then recover those costs from customers in their next full rate case filing, which is expected in 2013.

Staff will come back to Council in May 2011 with recommended action.