

A G E N D A



RCA	Austin City Council	Item ID	6521
Meeting Date:	5/26/2011	Department:	Telecommunications and Reg Affairs

Subject

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

Amount and Source of Funding

Fiscal Note

Purchasing Language:

Prior Council Action: March 24, 2011 - Suspended Texas Gas Service's proposal to increase customer gas rates.
May 12, 2011 - Set a public hearing for May 26, 2011.

For More Information:**Boards and Commission Action:****MBE / WBE:****Related Items:**

Additional Backup Information

On February 10, 2011, Texas Gas Service (TGS), a division of ONEOK, Inc., filed its Gas Reliability Infrastructure Program (GRIP) filing in Austin and in the other Central Texas service area cities that it serves requesting interim rate adjustments. This filing was made in compliance with 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 notified cities of TGS' intent to increase its revenues by \$9,466,027 to recover increased plant investment at the rate of return authorized during the last full rate case in 2008, increased federal income tax expense, and increased property tax expense. These increases were incurred from September 30, 2008 through December 31, 2010.

On March 24 2011, the City Council adopted an ordinance suspending the effective date of the proposed increase to not later than May 26, 2011, to provide staff an opportunity to properly review the filing with the assistance of a third

party rate consultant. The City coordinated its efforts with other cities, including Buda, Cedar Park, Rollingwood, Sunset Valley, and Westlake Hills.

The rate consultant's review identified a miscalculation of the amount of accumulated depreciation equal to \$52,532.00. TGS has corrected its proposed interim rate adjustment accordingly.

After a complete and thorough review of this GRIP filing, staff recommends that the City Council approve and adopt TGS' revised GRIP schedules and revised tariffs. The revised rates reflect the impact of correcting the error noted above that reduced the total increase in the GRIP revenue requirement. The City's third party rate consultant has indicated that TGS' proposal, as corrected, is reasonable with respect to the costs and rate of return proposed for recovery by TGS through this GRIP filing, and that the proposal complies with the Texas Utilities Code.

Below is chart that reflects the customer rate impact:

Line No.	Customer Class	Current Rate	<u>Customer Charge Increase</u>		FSA Recommended Rates	Adjustment to Request
			Initial	Revised		
<u>Gas Sales</u>						
1	Residential	\$ 9.75	\$ 0.48	\$ 0.46	\$ 10.21	\$ (0.02)
2	Commercial	\$ 12.75	\$ 1.66	\$ 1.61	\$ 14.36	\$ (0.05)
3	Large Commercial	\$ 80.00	\$ 18.45	\$ 17.84	\$ 97.84	\$ (0.61)
9	Comp. Nat. Gas	\$ 25.00	\$ 4.42	\$ 4.27	\$ 29.27	\$ (0.15)
4	Industrial	\$ 40.00	\$ 6.47	\$ 6.26	\$ 46.26	\$ (0.21)
5	Large Industrial	\$ 80.00	\$ 25.95	\$ 25.10	\$ 105.10	\$ (0.85)
6	Public Authority	\$ 20.00	\$ 2.30	\$ 2.22	\$ 22.22	\$ (0.08)
7	Large Pub. Authority	\$ 80.00	\$ 32.19	\$ 31.13	\$ 111.13	\$ (1.06)
8	Pub. Schools Space Htg.	\$ 40.00	\$ 7.10	\$ 6.86	\$ 46.86	\$ (0.24)
<u>Transportation</u>						
9	(T-1) Note 1	\$25 - \$150	\$ 13.40	(-\$11.83) - \$60.79	\$28.16 - \$224.19	\$ (0.44)
10	Grand Total		\$ 0.59	\$ 0.57		\$ (0.02)

Note 1- Rates for each type of transport customer shown on proposed tariff.

City staff recommends that Council approve an ordinance granting the rate requested by TGS and provide notice of this ordinance to TGS.