

## A G E N D A



## Recommendation for Council Action

Austin City Council	Item ID	15327	Agenda Number	133.
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Meeting Date:	5/24/2012	Department:	Telecommunications and Reg Affairs
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## 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

A fiscal note is attached.

Purchasing Language:	
Prior Council Action:	March 8, 2012 -- Suspended Texas Gas Service's proposal to increase customer gas rates. April 26, 2012 -- Set a public hearing for May 24, 2012.
For More Information:	Rondella M. Hawkins, Office of Telecommunications Affairs, (512) 974-2422
Boards and Commission Action:	
MBE / WBE:	
Related Items:	

## Additional Backup Information

On February 10, 2012, Texas Gas Service (TGS) 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 that allows a gas utility to recover additional invested capital costs through the customer surcharge or first block of its volumetric charge 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 \$3,775,205 to recover increases in plant related costs such as depreciation and property tax expenses, as well as increased net plant investments at the rate of return authorized by the City during the last full rate case in 2008.

On March 8, 2012, the City Council adopted an ordinance suspending the effective date of the proposed increase to not later than May 25, 2012, 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.

After a complete and thorough review of this GRIP filing, the City's third party rate consultant has indicated that TGS' proposal complies with the Texas Utilities Code, and is reasonable with respect to the costs and rate of return proposed through this GRIP filing. The GRIP schedules compute TGS central Texas GRIP revenue requirements and associated rate design to customer classes using the rate design methodology approved by the City in 2008.

The primary reason for the increase in TGS GRIP revenue requirement from what was approved by the City in TGS' prior GRIP filing, relates to the significant increase of \$23.9 million in net plant investments occurring during the period January 1, 2011 through December 31, 2011.

Below is a chart that reflects the customer rate impact since 2008:

Rate Schedule - Customer Class	COA Approved Customer Charge		TGS Proposed 2011	TGS Proposed 2011	FSA Proposed 2011
	2008	2010	Interim Rate Adjustment	Customer Charge	Customer Charge
	(a)	(b)	(c)	(d)	(e)
<u>Gas Sales</u>					
10 - Residential	\$ 9.75	\$ 10.21	\$ 1.12	\$ 11.33	\$ 11.33
20 - Commercial	\$ 12.75	\$ 14.36	\$ 4.05	\$ 18.41	\$ 18.41
22 - Large Commercial	\$ 80.00	\$ 97.84	\$ 60.84	\$ 158.68	\$ 158.68
30 - Industrial	\$ 40.00	\$ 46.26	\$ 18.08	\$ 64.34	\$ 64.34
32 - Large Industrial	\$ 80.00	\$ 105.10	\$ 61.52	\$ 166.62	\$ 166.62
40 - Public Authority	\$ 20.00	\$ 22.22	\$ 5.71	\$ 27.93	\$ 27.93
42 - Large Public Authority	\$ 80.00	\$ 111.13	\$ 74.95	\$ 186.08	\$ 186.08
48 - Public Schools/Space Heating	\$ 40.00	\$ 46.86	\$ 17.31	\$ 64.17	\$ 64.17
CNG -1- Compressed Nat. Gas	\$ 25.00	\$ 29.27	\$ 9.67	\$ 38.94	\$ 38.94
<u>T-1 Standard Transportation</u>					
Commercial	\$ 75.00	\$ 86.38	\$ 27.04	\$ 113.42	\$ 113.42
Large Commercial	\$ 150.00	\$ 187.03	\$ 91.51	\$ 278.54	\$ 278.54
Industrial	\$ 80.00	\$ 97.61	\$ 42.72	\$ 140.33	\$ 140.33
Large Industrial	\$ 150.00	\$ 224.19	\$ 181.83	\$ 406.02	\$ 406.02
Public Authority	\$ 25.00	\$ 28.16	\$ 6.48	\$ 34.64	\$ 34.64
Large Public Authority	\$ 100.00	\$ 141.64	\$ 108.05	\$ 249.69	\$ 249.69
Public Schools/Space Heating	\$ 60.00	\$ 67.03	\$ 17.41	\$ 84.44	\$ 84.44
CNG -1- Compressed Nat. Gas	\$ 40.00	\$ 41.57	\$ 3.85	\$ 45.42	\$ 45.42

City staff recommends that the City Council approve and adopt TGS GRIP schedules and tariffs as submitted to the City on February 10, 2012.