



Presentation on Texas Gas Service Interim Rate Request

Public Utilities Council Committee

April 15, 2015

Why is the City involved in a private gas utility's rates?

- ▶ The Gas Reliability Infrastructure Program (GRIP) authorized by the Texas Utilities Code (TUC) Section 103.301 entitles Interim Adjustment for Changes in Investment.
- ▶ State law allows municipalities to retain original jurisdiction over privately owned gas and electric utilities serving ratepayers within their city limits. The City of Austin has retained its original jurisdiction.

What is a Gas Reliability Infrastructure Program (GRIP) Rate Filing?

- ▶ State law allows gas utilities to recover increased cost associated with additional plant investment (Gas Mains, Meters, Compressors and other types of transmission and distribution assets, computers and software) without filing a complete rate request.
- ▶ Utilities can submit 5 GRIP rate filings and after that they must file for a complete rate request.

GRIP Rate Filing

- ▶ GRIP Rate filing consists of schedules that detail the changes in Invested Capital.
- ▶ Invested capital in the GRIP filing is:
 - ▶ Net utility plant and regulatory assets
 - ▶ TGS uses the Federal Regulatory Energy Commission's (FERC) Chart of Accounts to record its financial information
 - ▶ The FERC Chart of Accounts is used by gas and electric utilities.
- ▶ Assets are recorded at the system level, operating division levels and corporate level.
- ▶ Corporate level assets are allocated to the operating divisions and then to the system level.

What other costs may be included?

- ▶ The increase may adjust fixed customer charge or variable rates (at utility's discretion).
- ▶ Cost increases include return on additional investment, depreciation expense, ad valorem taxes, revenue related taxes, and incremental federal income taxes related to the difference in the value of the invested capital.
- ▶ Increases must be allocated to customer classes in same ratio as last rate case.

City's Review Process

- ▶ By statute, City of Austin has 60 days to review and evaluate the GRIP filing before revised rates may be implemented but can suspend rate implementation for an additional 45 days to allow for review and pass rate ordinance.
- ▶ City must act on the rate request before the deadline...or
- ▶ If City takes no action, rates are implemented by default.
- ▶ Municipal rate ordinances are subject to appeal to the Texas Railroad Commission.

Texas Gas Service

Texas Gas Service Filing History

- ▶ Texas Gas Service (TGS) filed its last full rate case in 2009 based on test year 2008.
- ▶ TGS filed its first GRIP filing in 2011 based on 2010 test year.
- ▶ TGS has subsequently filed GRIP request each year.
- ▶ The current 2015 filing, based on 2014 test year, is last GRIP filing allowed by TUC before their full rate case which must be filed no later than November 24, 2016.

Texas Gas Service 2015 Filing

- ▶ TGS made filings in the cities that Texas Gas serves within their Central Texas service area (CTXSA)...Austin, Bee Caves, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley and Westlake Hills.
- ▶ Austin leads coalition of cities on rate filing review process.

City's Review Process for TGS Filing

- ▶ On March 26, 2015, City Council suspended implementation of TGS rates.
- ▶ City must act on the rate request before May 27, 2015, the new effective date.
- ▶ If City takes no action, TGS rates will be implemented by default.

Increases to Gas Sales Customers by Class

	Current Customer Charge	2015 Requested Interim Rate	Adjusted Customer Charge
Residential	\$ 14.24	\$ 1.04	\$ 15.28
Commercial	\$ 29.42	\$ 3.98	\$ 33.40
Large Commercial	\$ 285.96	\$ 45.87	\$ 331.83
Industrial	\$ 118.27	\$ 20.32	\$ 138.59
Large Industrial	\$ 340.29	\$ 90.36	\$ 430.65
Public Authority	\$ 42.28	\$ 5.33	\$ 47.61
Large Public Authority	\$ 367.35	\$ 63.07	\$ 430.42
Public Space Heating	\$ 98.51	\$ 11.86	\$ 110.37
Compressed Natural Gas	\$ 52.61	\$ 5.13	\$ 57.74

Increases to Gas Transport Customers by Class

	Current Customer Charge	2015 Requested Interim Rate	Adjusted Customer Charge
Commercial	\$ 182.21	\$ 24.50	\$ 206.71
Large Commercial	\$ 523.31	\$ 90.21	\$ 613.52
Industrial	\$ 257.49	\$ 45.47	\$ 302.96
Large Industrial	\$ 785.28	\$ 178.05	\$ 963.33
Public Authority	\$ 48.94	\$ 5.04	\$ 53.98
Large Public Authority	\$ 464.62	\$ 70.73	\$ 535.35
Public Space Heating	\$ 131.29	\$ 17.14	\$ 148.43
Compressed Natural Gas	\$ 55.69	\$ 3.10	\$ 58.70

Review Procedures of GRIP

- ▶ With the assistance of outside rate consultant, City is conducting due diligence review of proposed rate filing, making sure that the application is consistent with the GRIP statute and the rules of the Railroad Commission.

Review Procedures of GRIP

- ▶ Must follow a streamlined review process:
 - ▶ Verification of amounts in rate filing to booked amounts by requesting additional work papers through Requests for Information to TGS.
 - ▶ Test allocation percentages of corporate assets.
 - ▶ Verify math in the filing.
 - ▶ Verify calculation of increases to customer classes and tariff presented.

Status of Review

- ▶ Review is mostly complete, waiting for additional information from TGS on:
 - ▶ Allocation ratios
 - ▶ Impacts of One Gas spin-off from Oneok, Inc. completed in January 2014
 - ▶ Recommendations to City Staff

Next Steps

- ▶ Staff will come back to the Public Utilities Committee on May 20, 2015 to make recommendation to City Council.
- ▶ City Council scheduled to conduct public hearing as required by City Charter and take action on new rates on May 21, 2015.

Questions?