

# AGENDA



## Recommendation for Council Action

### AUSTIN CITY COUNCIL

Regular Meeting: April 26, 2018

Item Number: **041**

### Item(s) to Set Public Hearing(s)

Set a public hearing regarding Texas Gas Service's proposal to change customer rates. (Suggested date and time May 24, 2018; 4:00 p.m. at City Hall; 301 W. Second Street, Austin, TX).

<b>Lead Department</b>	Telecommunications and Regulatory Affairs.
<b>Fiscal Note</b>	There is no fiscal impact.
<b>Prior Council Action</b>	Suspension of Texas Gas Service's proposed rates on April 12, 2018 granted.
<b>For More Information</b>	Rondella M. Hawkins, TARA Officer; (512) 974-2422.

### Additional Backup Information:

On March 2, 2018, Texas Gas Service Company, a division of ONE Gas, Inc., (TGS), filed a Gas Reliability Infrastructure Program (GRIP) in Austin and in the other cities it serves in the Central Texas service area (CTXSA). Other cities include Bee Caves, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills, and Yokum, Texas.

The filing notifies cities of Texas Gas Service's intent to increase rates by \$3,031,779 which is based on the net increase in capital investment in the CTXSA for the period of January 1, 2017

through December 31, 2017. This filing was made under Texas Utilities Code, Section 104.301 that allows a gas utility to annually recover capital investments in gas pipeline infrastructure and related expenses made during the interim period between formal rate case filings. Operation and maintenance costs are not recovered through GRIP. GRIP rates must be based on reasonable increases in invested capital costs.

On April 12, 2018, the City Council suspended the effective date of the proposed increase to allow time to complete the compliance review of TGS's filing.

Based on company-provided information, the proposed assessment will increase the average monthly bill for typical Residential and Commercial customer bills as follows:

	<b>2018 Current Customer Charge</b>	<b>Interim Rate Adjustment Based on 2017 Investment</b>	<b>Adjusted Percent Change</b>	<b>Customer Charge</b>
<b>Residential</b>	\$16.61	\$.88	4.04%	\$17.49
<b>Commercial</b>	\$43.79	\$3.76	4.43%	\$47.55

On March 26, 2018, pursuant to Section 104.111 of the Gas Utility Regulatory Act, (GURA), TGS filed notice of intent to reduce the current base rates and Interim Rate Adjustment to reflect the change in the federal corporate tax rate from 35% to 21%. The proposed rates, terms, and conditions reflected in the attached tariffs will decrease the revenues paid by CTXSA cities by \$4,365,407 from the amount allowed under the currently approved base rates and the IRA.

In addition to this reduction in rates going forward, TGS will also provide a refund to customers to account for revenues collected through base rates and the IRA that reflected a corporate tax rate of 35% rather than 21%. This total refund will amount to \$2,248,798 which will be issued to affected customers in the form of a one-time bill credit in the amount of \$9.66 no later than the first billing cycle of June.

TGS proposes to make all rate changes of these filings to be effective at the same time, (June 16, 2018).

Article XI of the City Charter requires that City Council conduct a public hearing before taking action on the proposed rates.