




MEMORANDUM

TO: Spencer Cronk, City Manager
Mark Washington, Assistant City Manager

FROM: Rondella M. Hawkins, Telecommunications & Regulatory Affairs Officer

DATE: April 23, 2018

SUBJECT: 2018 Gas Utility Rate Issues for Council - Upcoming Agenda Items



This memorandum lays out the explanation and schedule of the upcoming Council agenda items on rate requests from our three natural gas franchise holders – Atmos Energy, Mid-Tex, CenterPoint Energy, and Texas Gas Service.

Pursuant to the Gas Utilities Regulatory Act, the City has original jurisdiction (initial approval authority), over privately-owned gas utility rates for customers within its city limits. Article XI of the City Charter requires the City Council to conduct a public hearing to take action on any proposed utility rate change.

There are two main ways for rates to be changed. Natural gas providers file a "Statement of Intent" to change their system-wide revenues. This filing also known as a Full Rate Case, is made with the City about once every five or six years, and this same rate request is also filed with the Railroad Commission for the service areas outside of municipalities called the "environs". If the City determines the proposed change is not just and reasonable and denies the request, the provider can appeal the decision to the Railroad Commission of Texas.

Rates can also be changed in each of the intervening years following a full rate case under Texas Utilities Code, Section 104.301. This provision allows gas utilities to make interim rate adjustments to recover new capital investments in gas utility infrastructure made during the prior year by filing a Gas Reliability Infrastructure Program (GRIP) with the City.

In both general rate cases and GRIP filings, the City has the authority to suspend the effective date of the rate changes to provide time to review the filings for compliance with the Texas Utilities Code, and recommend Council action at a public hearing.

An additional rate change proposal is currently pending for all three providers: under Texas Utilities Code Section 104.111 of the Gas Utility Regulatory Act, (GURA), the providers have filed a 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%.

April 26, 2018 Council Meeting Agenda Items:

- Item 42. Set a public hearing regarding Texas Gas Service's request to reduce rates for May 24, 2018. Texas Gas proposes a \$3 million increase under its GRIP filing and a \$4.4-million interim base rate decrease due to the federal corporate tax reduction from 35% to 21%.
- Item 43. Set a public hearing regarding ATMOS Energy MidTex request to reduce rates for May 10, 2018. ATMOS proposes to reduce gas utility rates within the incorporated areas of the Mid-Tex Division which includes the City of Austin to reflect the reduction in the federal corporate tax rate from 35% to 21% which will reduce annual charges to the Mid-Tex Division cities by \$29.6 million.
- Item 78. Conduct a public hearing to review CenterPoint Energy Resources Corporation request to reduce rates. The proposal would provide a decrease of \$3.0 million in in CenterPoint's present revenues.

Later this year, we anticipate ATMOS Energy will also file a full rate case with the City to set the Interim base rates.

In 2019, we expect all three gas utility companies to file Gas Reliability Infrastructure Program interim rate adjustments.