

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	59232	Agenda Number	60.
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Meeting Date:	6/23/2016	Department:	Telecommunications and Reg Affairs
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Subject

Approve an ordinance suspending a rate increase proposed by the Texas Gas Service. Related to Item # 32.

Amount and Source of Funding

Fiscal Note

Purchasing Language:	
Prior Council Action:	
For More Information:	Rondella M. Hawkins, TARA Officer, 512-974-2422
Council Committee, Boards and Commission Action:	
MBE / WBE:	

Pursuant to the Gas Utilities Regulatory Act, the City has original jurisdiction over privately owned gas utility rates set for customers within its city limits.

On June 20, 2016, Texas Gas Service, (TGS), a division of ONEOK, Inc. will file a general rate request for an increase in base rates with the City and in the other Central Texas service area (CTXSA) cities that it serves. Other cities include, Bee Caves, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley and Westlake Hills. The filing notifies cities of Texas Gas Service's intent to increase rates by \$11.6 million in the CTXSA proposed to become effective August 12, 2016. TGS has approximately 213,000 customers in the Austin area.

The last general rate case filed by TGS was in 2009. General rate cases reflect changes in distribution costs, including employee wages, the cost of maintaining pipeline system, taxes, and capital needed to finance the company.

The proposed rates indicate an increase in the monthly fixed customer charge:

TGS Current Fixed	TGS Requested Fixed
Customer Charge	Customer Charge

Residential	\$ 15.28	\$ 21.25
Commercial	\$ 33.40	\$ 38.00

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

	<u>Current</u>	<u>Proposed</u>	<u>Change</u>
Residential	\$ 34.26	\$ 38.84	\$4.58
Commercial	\$ 219.83	\$ 216.05	\$(3.78)

State law authorizes the City to suspend the implementation date of the rate increase by up to 90 days from the effective date (November 10, 2016) to allow staff additional time to review the filing. The City of Austin has retained consultants to assist staff with a thorough review of the ratemaking documentation submitted by TGS and evaluation of the reasonableness of the rate filing. In addition, the City has taken the lead to coordinate efforts among the cities in the TGS CTXSA, in order to act as a coalition, for efficiencies and to reduce rate review costs of the affected municipalities.

TGS proposes to consolidate approximately 9,500 customers in 7 cities (Cuero, Gonzalez, Lockhart, Luling, Nixon, Shiner and Yoakum) into the CTXSA. TGS seeks to consolidate the two service areas and use a system-wide cost of service for the combined service areas to realize efficiencies from the centralization of its existing operations in the separate service areas.

TGS will also file simultaneously at the Railroad Commission of Texas (RRC) for the environ customers (unincorporated Travis, Williamson and Hays County). The RRC has original jurisdiction over utility rate matters within the environs and appellate jurisdiction over municipal rate decisions by the coalition cities. Austin will intervene in the environs customer proceeding at the RRC to monitor information submitted to the RRC that may assist the City with its review. If TGS should appeal the decision by the City and its coalition, the City will benefit from the information obtained through discovery by intervening in the environs case.

By state law, rate case expenses of the City are reimbursable. Staff will provide a recommendation to the City Council on or before November 10, 2016 following a public hearing which is required by the City Charter.