

Q&A Item #62

Council Member Kitchen:

Why is TGS proposing a fixed rate rather than a weather normalization adjustment to the CAC rate?

Based on limitations of the Company's Banner billing system, implementing a weather normalization adjustment ("WNA") to the CAC rate is not feasible. Establishing a second WNA process for the CAC rate that is layered on top of the existing WNA for delivery charges would require costly, time-intensive programming to the Banner system. Additionally, the current WNA process slows nightly bill generation tremendously. Adding a second WNA process would make this problem much worse.

What is the distribution of customer usage and how will customers be impacted by a fixed rate?

The average annual residential gas consumption for Austin customers is 376 Ccf for customers billed for a full twelve months. Customers with annual usage of 274 Ccf of gas or less would pay more under a fixed rate than with the current volumetric rate. Approximately 66% of customers would see a monthly bill decrease, 14% would have a monthly bill increase of less than \$0.25, and the remaining 20% of customers would experience a monthly bill increase of more than \$0.25.

Customers with the average annual consumption of 376 Ccf would experience a monthly bill decrease of \$0.44. The range of bill impacts for the 66% of customers that would experience a bill decrease under the proposed \$1.19 fixed charge is \$0.004 per month to \$2.87 per month.

Please find attached an analysis of the distribution of Austin residential customer usage and an analysis of the last 24 months of actual residential Conservation Adjustment Clause collections and related average monthly bill impact.

Council Member Flannigan:

What is the definition of cost effectiveness and what are the metrics being used to determine it?

The cost-effectiveness tests provide a detailed economic analysis of the Company's conservation and energy efficiency programs in Austin. The outside consultant hired to perform the analysis, Paul Raab, energytools, inc., applies five benefit/cost tests as prescribed in the California Standard Practice Manual. Each test has a unique formula with different inputs that quantifies the benefits and costs from various perspectives. Texas Gas Service and the Resource Management Commission have agreed to consider the results of three of the tests when designing the program offerings: the Participant Test, Total Resource Cost Test, and Societal Cost Test. Examples of variables used in the various formulas include the life of the appliance or efficiency measure, bill reductions, incremental equipment and installation costs, avoided costs, and incentives. The results of the tests will vary depending on the source of the cost data, changes in discount rates, weather in the test year, cost of gas, etc. The tests measure only quantifiable benefits and costs, not externalities or non-energy benefits, (i.e. water saved) and are not intended to be the sole metric used to measure of the value of a program, but instead

one of several tools that can be helpful in the evaluation. The full manual detailing the definition, methodology, formulas, strengths and weaknesses of each test is attached.

In conjunction with the Resource Management Commission, in the summer and fall of 2017 TGS has carefully examined the results of past evaluations and recommended extensive changes to the Energy Efficiency Program for 2018. These changes included reducing the number of rebate amounts, additions of highly cost-effective programs, and the removal of 13 rebate offerings beginning in January 2018. Of the few individual programs that do not meet one or more of the tests, these rebate programs have been justified and discussed at length with the Resource Management Commission resulting in their unanimous recommendation to approve the budget. The Office of Telecommunications and Regulatory Affairs, with their recommendation, approved the 2019-2021 budget as filed on November 1. TGS offers a comprehensive portfolio of programs that is highly cost-effective, provides opportunities for participation from the wide variety of customers that pay into the fund, and addresses hard-to-reach customer participation. The current portfolio of rebate programs is in full compliance with the current and the proposed tariff.