



## Recommendation for Action

**File #:** 19-3793, **Agenda Item #:** 53.

1/23/2020

### **Posting Language**

Approve an ordinance suspending a rate increase proposed by Texas Gas Service for natural gas services. Related to item #27.

### **Lead Department**

Telecommunications and Regulatory Affairs.

### **Fiscal Note**

This item has no fiscal impact.

### **Prior Council Action:**

Council approved Ordinance No. 20161103-077, November 3, 2016 establishing tariffs for the provision of gas service by Texas Gas Service Company within the City of Austin.

### **For More Information:**

Rondella M. Hawkins, TARA Officer; 512-974-2422.

### **Additional Backup Information:**

On December 20, 2019 Texas Gas Service Company, a division of ONE Gas, Inc. (TGS) filed a rate application to change gas utility rates with the City and other cities in the Central Texas service area (CTSA), the Gulf Coast service area (GCSA) and the City of Beaumont that have original jurisdiction over their rates and services, effective February 6, 2020. Cities in the CTSA include Austin, Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Rollingwood, Shiner, Sunset Valley, Nixon, West Lake Hills and Yoakum. Cities in GCSA include Bayou Vista, Galveston, Groves, Jamaica Beach, Nederland, Port Arthur and Port Neches, and the City of Beaumont. Simultaneously with this city-level filing, TGS also filed with the Railroad Commission of Texas (Gas Utility Docket 10928) for the unincorporated areas of the CTSA, GCSA and City of Beaumont.

Under the application, TGS is proposing to consolidate their Gulf Coast, Central Texas and Beaumont service areas into a new service area called the Central-Gulf Service area. They are also proposing to increase system-wide distribution rates by \$17 million annually which is an increase of 9.43% including gas costs, or 15.64% excluding gas costs.

TGS proposes the implementation of new CGSA tariffs and the withdrawal of the CTSA and GCSA incorporated and environs tariffs. The Company's new proposed tariff includes: (1) a new residential A/B rate design that provides options for customers based on usage patterns; (2) rate schedules for unmetered gas street lights; (3) a rate schedule rider to return excess deferred income taxes back to customers; (4) a rate schedule to recover approved Hurricane Harvey costs; (5) a rate schedule to recover pipeline integrity testing costs; and (6) a rate schedule that allows TGS to recover extraordinary expenses for restoring service after storms and natural disasters.

TGS has approximately 260,000 customers in the CTSA, with 220,000 within the Austin city limits. Staff recommends a 90-day suspension of the rate increase, the maximum amount of time permitted by law to allow

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the City working in conjunction with other similar situated cities with original jurisdiction served by TGS, to evaluate the filing, to determine whether the filing complies with the law, to establish reasonable rates and if lawful, to determine what further strategy, including settlement, to pursue.

Texas Gas Service will reimburse the City for reasonable rate case expenses and then recover those costs from gas customers.

After concluding its review, staff will provide a recommendation to the City Council for consideration in a public hearing as is required by our City Charter.