



City of Austin

Recommendation for Action

File #: 24-4874, **Agenda Item #:** 17.

7/18/2024

Posting Language

Approve an ordinance suspending a rate increase proposed by Texas Gas Service for natural gas services.

Lead Department

Financial Services Department

Fiscal Note

This item has no fiscal impact.

Prior Council Action:

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

For More Information:

Diana Thomas, CPA, Deputy Chief Financial Officer, 512-974-1166.

Additional Backup Information:

On June 3, 2024, Texas Gas Service Company (TGS) a Division of ONE Gas, Inc. (ONE Gas), pursuant to Subchapter C of Chapter 104 of the Gas Utility Regulatory Act, filed its Statement of Intent to change gas rates at the Railroad Commission of Texas (RRC) and in all municipalities exercising original jurisdiction within the incorporated areas of the Central-Gulf Service Area (CGSA), effective July 8, 2024.

TGS is seeking to increase its revenues in the CGSA by \$25.8 million, which is an increase of 9.83% including gas costs, or 15.59% excluding gas costs. TGS is also requesting:

1. Approval of new depreciation rates for certain plant within the CGSA;
2. A finding that expenses for Winter Storm Uri and COVID-19 that are contained in regulatory assets authorized by the RRC are reasonable, necessary, and accurate;
3. A prudence determination for capital investment made in the CGSA through December 31, 2023;
4. Approval to include Excess Deferred Income Taxes (EDIT) in base rates, with discontinuance of the EDIT Rider to return EDIT to customers; and
5. Approval to recover the reasonable rate case expenses associated with the filing through a surcharge.

The TGS's new proposed tariff includes:

1. A new Small and Large Residential rate design and related rate schedules based on customer usage patterns;
2. A new Small and Large Commercial rate design and related rate schedules based on customer usage patterns;
3. A new Renewable Natural Gas Credits program rate schedule;
4. New rate schedules for a rate case expense surcharge; and
5. Certain revisions to the TGS's Rules of Service.

TGS has granted an extended date to the City of Austin of August 1, 2024, from July 8, 2024, given the TGS amended its filing, setting its proposed effective date for August 2, 2024, in order to allow the City of Austin to

act at its next available meeting of July 18, 2024. The Ordinance suspends the effective date of the Company's rate increase for the maximum period permitted by law of 90 days from the effective date to allow the City, working with a coalition of cities who are served by TGS represented by legal counsel who will hire outside rate experts and consultants to study and investigate, to determine what further strategy, including settlement, to pursue and to represent the City in matters related to TGS's application to increase its rates, including the proceedings at the Railroad Commission, Gas Utilities Docket Case No. 17471.