

April 30, 2020

Mayor and City Council,

On May 7, you will likely be voting on a rate increase proposal by Texas Gas Service (TGS). Though the timing of the increase was not intentionally meant to coincide with the current pandemic and its repercussions, it is nonetheless extremely relevant to it.

- The percentage of increase is astoundingly high. Over the past 12 years, the percentage increase for Residential customers has averaged 5.5% annually. (This does not include the cost of fuel and assumes 35 MCF a year of consumption.)

The current proposal, depending on how it is calculated, ranges from a 22 to 35% increase *in one year*. This would cause economic stress even in a good economy, and we have nothing remotely resembling this right now.

- The economic harm is even more pronounced on low- and moderate-income ratepayers, many of whom are acutely impacted by high unemployment. However, the structure of Residential rates themselves is biased against this group of customers even if the rate increase is ignored.

- The lethal effect of the pandemic has a proven link to air pollution. Several recent studies illustrate a high correlation between air pollution and pandemic deaths. (See p. 4.) Yet the Residential rate structure is designed in a way that encourages consumption. What is more disturbing is that the gas industry has no plan to decarbonize and shift to renewable energy.

To address these concerns, we ask Council to implement the following proposals. (These are explained in more detail following this letter.)

**1. Establish a well-funded Customer Assistance Program for low- and moderate-income ratepayers**

**2. Restructure Residential rates by cutting the monthly fee and charging a premium to high users**

**3. Establish a Renewable Energy Research Fund**

**4. Collect full Capital Recovery Fees**

We urge you to mitigate utility costs and environmental damage during this critical time. By doing so, Austin will not only help its own citizens, but set precedents for other cities throughout the state and country.

Respectfully,

*Martha Carleton*, President, 350-Austin

*David Foster*, Texas Director, Clean Water Action

*Leslie Libby*, Vice-President, Solar Austin

*Bruce Melton*, CEO, Climate Action Now Initiative

*Patrick Murphy*, Chair, Executive Committee, Austin Group, Sierra Club

*Jeannie Nelson*, Executive Director, Austin Tenants Council

*Cyrus Reed*, Interim Director, Lone Star Chapter, Sierra Club

*Paul Robbins*, Environmental Activist & Consumer Advocate

*Robin Schneider*, Executive Director, Texas Campaign for the Environment

*Kaiba White*, Climate Policy and Outreach Specialist, Public Citizen of Texas

## **1. Establish a Well-Funded Customer Assistance Program**

### **Action: A surcharge to raise \$500,000 for rate relief**

In 2019, Austin’s electric, water, and drainage utilities collectively provided close to \$16 million in rate relief to low- and moderate-income ratepayers. To help manage the economic harm to ratepayers during the pandemic, Council voted in April to give an additional \$46 million in rate relief, including \$11 million specifically designated to low- and moderate-income customers.

In contrast, Texas Gas Service gave only \$78,000 to rate relief for customers in need in 2019; 40% of this came from charitable contributions. The only additional accommodation the company has made to date for ratepayers hurt by the pandemic is a temporary delay of service termination for nonpayment.

*We ask that Council create a pilot program for customer assistance for gas customers in the amount of \$500,000 in addition to any charitable contributions raised. This amount can be increased in future years once the program is established. Money can be raised with a small surcharge on all gas sales; the rate impact for the average Residential gas customer would be no more than 1/7 of 1% increase.*

## **2. Revise Residential Rate Restructure**

### **Actions: 1) Cut monthly fee in half; 2) Charge “Gas-Guzzler” premium on top 7% of customers**

Austin electric, water, and wastewater rates are all progressive: the more consumption, the more paid per unit. In contrast, Texas Gas Service rates are regressive: the more consumption, the less paid per unit. Regressive rates hurt the poor. At the same time, they discourage energy efficiency.

We ask for two fundamental changes in the rate structure to make the gas company’s rates less regressive: a much lower monthly fee, and a “gas guzzler” charge for the highest consumers.

Lower Monthly Fees – The TGS monthly charge of almost \$19 a month is higher than most larger gas utilities in the U.S. In some cases, it is more than twice as high. And if base revenues the gas company receives from monthly fees were proportional to Austin’s electric, water, and wastewater rates, the fees would fall to roughly \$3 to \$5. Austin’s Resource Management Commission recommended that TGS duplicate Austin’s fees at its March meeting. (See p. 5.)

*The City of San Antonio’s gas utility charges \$9.55 per month for Residential customers. We ask that monthly fees be set no higher than this.*

Gas Guzzler Premium – The top 7% of TGS Central Texas Residential customers use 15% of the total Residential volume. *We ask that they be charged a 15% premium, which can be used to lower the rates of the other 93% of customers. We also ask that a more detailed, 3-tiered progressive rate structure be brought to Council in the next rate case several years from now.*

Note that any revenue shortfalls to the company from these rate structure changes can be reclaimed with a weather normalization charge.

### **3. Renewable Energy Research Fund**

#### **Action: A surcharge to raise \$300,000 for renewable energy research**

Austin Energy plans to completely eliminate carbon emissions from its electric system by 2035. In contrast, TGS has no plan at all to adopt renewable energy, and few if any currently economic technologies to do so.

A surcharge on all gas sales (similar to the one proposed for Customer Assistance Program for TGS-Austin described above) could collect funds for renewable energy research at credible laboratories. This will set a precedent for the country.

*We propose that TGS-Austin implement a surcharge on all gas sales sufficient to establish a fund for research of fuel, hydrocarbons, and process heat derived from renewable energy that can substitute for natural gas. The City of Austin would direct this funding. This would raise \$300,000 annually, and raise the average Residential bill about 1/9 of 1%.*

Though this surcharge should occur with or without gas company matching contributions, it would be in the company's self interest to ensure its long-term future.

### **4. Collect Full Capital Recovery Fees**

#### **Action: Collect full costs from new projects to lower costs for existing customers**

Between 2016 and 2019, TGS spent about \$88 million on infrastructure for new customers. Only a small percentage of this has been reimbursed by builders and real estate project developers.

This situation contrasts with both Austin Energy and Austin Water, which collect 100% of the costs associated with new development. This full recovery policy led to recent rate decreases in both municipal utilities.

*In order to lower or eliminate future rate increases, we propose that full Capital Recovery Fees be implemented for all new developments and hook-ups not already under an existing reimbursement contract. Given past history, we expect that this will remove tens of millions of dollars of capital expenses from the rate base in the next few years.*

## Studies Linking Air Pollution and COVID-19 Mortality

Conticini, Edoardo, Bruno Frediani, and Dario Caro, “Can atmospheric pollution be considered a co-factor in extremely high level of SARS-CoV-2 lethality in Northern Italy?” *Environmental Pollution*, April 4, 2020. Online at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7128509/pdf/main.pdf>

Ogen, Yaron, “Assessing nitrogen dioxide (NO<sub>2</sub>) levels as a contributing factor to coronavirus (COVID-19) fatality,” *Science for the Total Environment*, April 11, 2020. Online at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7151460/pdf/main.pdf>

Travaglio, Marco, Rebeka Popovic, Yizhou Yu, Nuno Santos Leal, and Luis Miguel Martins, “Links between air pollution and COVID-19 in England,” Cambridge, UK: University of Cambridge, MRC Toxicology Unit, April 20, 2020. Online at <https://www.medrxiv.org/content/10.1101/2020.04.16.20067405v2.full.pdf>

Wu, Xiao MS, Rachel C. Nethery PhD, M. Benjamin Sabath MA, Danielle Braun PhD, and Francesca Dominici PhD, “Exposure to air pollution and COVID-19 mortality in the United States,” Boston, MA: Harvard T.H. Chan School of Public Health, April 5, 2020. Online at <https://www.medrxiv.org/content/10.1101/2020.04.05.20054502v1.full.pdf>



**RESOURCE MANAGEMENT COMMISSION  
RECOMMENDATION 20200309-03**

**Date:** March 9, 2020

**Subject:** Recommendations on Texas Gas Rate Structure to Encourage Energy Conservation

**Motioned By:** Vice Chair White

**Seconded By:** Commissioner Blackburn

**Recommendation:** The Resource Management Commission recommends that the Austin City Council make the following a priority when adopting updated rates for Texas Gas in order to allow customers to realize meaningful economic benefits from conserving energy in a way that reduces natural gas consumption, the:

1. Set the fixed monthly fee at level that results in a comparable contribution to base revenue as the fixed fees at Austin Energy and Austin Water; and
2. Examine implementing consumption rates with two or three tiers that increase with the volume of gas used.

**Vote:** 8-2

**For:** Vice Chair White and Commissioners Blackburn, Brenneman, Chavarria, Fralin, Harmon, Johnson, and Smith.

**Against:** Chair Dielmann, Commissioner Babyak

**Abstain:** None

**Off dais:** None

**Absent:** None

**Vacancies:** 1

**Attest:**

Jamie Mitchell, Staff Liaison