



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 4/18/2023
 District B, District D, District E
 Item Creation Date: 3/27/2023

ARA - Suspend Implementation of Universal Natural Gas, Inc. Gas Reliability Program
 Interim Rate Adjustment 2023

Agenda Item#: 34.

Background:

The Administration & Regulatory Affairs Department (“ARA”) recommends that City Council adopt an ordinance suspending, for 45 days, implementation of the Universal Natural Gas, LLC d/b/a Universal Natural Gas, Inc. (“UniGas or Company”) Gas Reliability Infrastructure Program (“GRIP”) interim rate adjustment. UniGas Universal Natural Gas provides natural gas distribution service to approximately 29,000 Texas retail customers. Universal Natural Gas does not currently have any customers within the Houston city limits but is installing infrastructure and will provide natural gas distribution service to future residential, commercial, and/or large commercial customers in Houston. At this time, UniGas plans to serve approximately 1,700 residential customers in the Park Vista at El Tesoro, Wayside Village and Allison Park developments and anticipates its first Houston incorporated customers in 2023. On July 7, 2021 City Council approved the tariff and rates for Houston customers (Ordinance No. 2021-0599). The City of Houston exercises original jurisdiction over the rates, operations, and services of UniGas under the provisions of the Texas Utilities Code for customers inside city limits.

On March 2, 2023, UniGas filed an annual GRIP interim rate adjustment for customers in Texas. The GRIP permits a natural gas utility to implement an interim rate adjustment to recover return on the change in invested capital and changes in depreciation and property taxes related to the new investment without filing a full base rate change request. Pursuant to State Law, the City’s role in the GRIP proceeding is to review the application to ensure compliance with GRIP statutory requirements. This includes a ministerial review of the filing to test whether GRIP calculations are correct.

UniGas is requesting a revenue requirement increase of \$3.6 million for service to retail gas customers. The filing captures changes in invested capital from January 1, 2022 through December 31, 2022 — an approximate \$26.7 million increase in net investment. If the requested adjustment is adopted, the fixed customer charge for all customer classes would increase as follows per the current and proposed rates reflected in the UniGas filing:

| UniGas Monthly Fixed Customer Charge Current vs. Proposed | | | |
|---|--------------|---------------|-------------------|
| Customer Class | Current Rate | Proposed Rate | Proposed Increase |
| Residential | \$ 25.43 | \$ 35.40 | \$ 9.97 |
| General Service Small | \$ 72.11 | \$ 114.47 | \$ 42.36 |
| General Service Large | \$ 670.07 | \$ 1,272.01 | \$ 601.94 |

Pursuant to the Texas Utilities Code, UniGas’s request will take effect May 1, 2023 — 60 days after filing — unless City Council adopts an ordinance suspending the proposed effective date for 45 days — to June 15, 2023. The suspension period will provide the City’s rate experts the time necessary to review the request, address potential ministerial corrections to the calculations with UniGas, if any, and to prepare a final recommendation for consideration by the Mayor and City Council. The City must complete its review of the current 2023 GRIP request within this statutory timeframe.

ARA recommends that City Council adopt an ordinance suspending for 45 days the implementation of the UniGas GRIP interim rate adjustment.

Fiscal Note

There is no impact to the fiscal budget and no additional spending authority. Therefore, no Fiscal Note is required as stated in the Financial Policies.

Departmental Approval Authority:

DS
 EC

DocuSigned by:

Tina Paez

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Tina Paez, Director
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Other Authorization

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