

Continued Authority for Formulaic Rate Adjustments

SUPPORT

CSHB 2435 by Rep. Deshotel
CSSB 1309 by Sen. Hinojosa

Background

- For decades, the Railroad Commission and municipal regulatory authorities have approved natural gas utility tariffs containing formulas for adjusting gas utility prices to their customers.
- These tariff provisions include price adjustments based upon the utility's cost of gas and other operating expenses, investment, taxes, and abnormal weather.
- By including such adjustment provisions in gas tariffs, gas prices to consumers are adjusted upwards or downwards to reflect changes in some or all of the utility's costs of providing gas service without the time and expense associated with a contested rate proceeding.
- Although cities and the Railroad Commission have included formulaic adjustment provisions in utility rates, some municipalities have been advised, incorrectly, that these tariff provisions are not permitted under the Gas Utility Regulatory Act – even though such tariff provisions have been in use since the 1960s.

Proposal

- This bill confirms prior legislative intent that adjustment provisions may be included in natural gas utility rates.
- The bill is permissive and does not require that regulatory authorities incorporate adjustment provisions in gas utility tariffs.
- The bill does not limit or otherwise affect the ability of regulatory authorities to review and set gas utility rates.

Benefits

- The bill encourages regulatory authorities to continue their efforts to adopt accounting-based approaches to regulation rather than ones driven by expensive litigation.
- The high cost of litigation-based regulation is ultimately born by utilities and their customers.
- An accounting/audit-based regulatory model provides more rate stability for consumers and utilities at a much lower cost.

Texas Cities With Rate Adjustment Mechanisms (Other Than PGAs)

CNP COSA

1. Beaumont
 2. Huntsville
- Note: CNP has suspended the COSAs for 47 other cities in its Texas Coast Division due to the legal challenge.*

Atmos RRM

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|-------------------|--------------------------|-----------------------|
| 3. Abbott | 40. Bellmead | 77. Caddo Mills |
| 4. Abernathy | 41. Bells | 78. Caldwell |
| 5. Abilene | 42. Belton | 79. Calvert |
| 6. Addison | 43. Benbrook | 80. Cameron |
| 7. Alba | 44. Benjamin | 81. Campbell |
| 8. Albany | 45. Bertram | 82. Canton |
| 9. Allen | 46. Beverly Hills | 83. Canyon |
| 10. Alma | 47. Big Spring | 84. Carbon |
| 11. Alvarado | 48. Blackwell | 85. Carrollton |
| 12. Alvord | 49. Blanket | 86. Cashion Community |
| 13. Amarillo | 50. Blooming Grove | 87. Cedar Hill |
| 14. Amherst | 51. Blossom | 88. Cedar Park |
| 15. Angus | 52. Blue Mound | 89. Celeste |
| 16. Anna | 53. Blue Ridge | 90. Celina |
| 17. Annona | 54. Blum | 91. Centerville |
| 18. Anson | 55. Bogata | 92. Chandler |
| 19. Anton | 56. Bonham | 93. Channing |
| 20. Archer City | 57. Bovina | 94. Chico |
| 21. Argyle | 58. Bowie | 95. Childress |
| 22. Arlington | 59. Boyd | 96. Chillicothe |
| 23. Athens | 60. Brazos Bend | 97. Cisco |
| 24. Aubrey | 61. Bremond | 98. Clarksville |
| 25. Aurora | 62. Bridgeport | 99. Cleburne |
| 26. Austin | 63. Bronte | 100. Clifton |
| 27. Avery | 64. Brownfield | 101. Clyde |
| 28. Azle | 65. Brownsboro | 102. Coahoma |
| 29. Baird | 66. Brownwood | 103. Cockrell Hill |
| 30. Balch Springs | 67. Bruceville-Eddy | 104. Coleman |
| 31. Ballinger | 68. Bryan | 105. College Station |
| 32. Bandera | 69. Buckholts | 106. Colleyville |
| 33. Bangs | 70. Buffalo | 107. Collinsville |
| 34. Bardwell | 71. Buffalo Gap | 108. Colorado City |
| 35. Barry | 72. Buffalo Springs Lake | 109. Comanche |
| 36. Bartlett | 73. Burkburnett | 110. Commerce |
| 37. Bartonville | 74. Burleson | 111. Como |
| 38. Bedford | 75. Burnet | 112. Coolidge |
| 39. Bellevue | 76. Byers | 113. Cooper |

Texas Cities With Rate Adjustment Mechanisms (Other Than PGAs)

114.	Coppell	157.	Fairfield	201.	Happy
115.	Copper Canyon	158.	Fairview	202.	Harker Heights
116.	Copperas Cove	159.	Farmers Branch	203.	Hart
117.	Corinth	160.	Farmersville	204.	Haskell
118.	Corral City	161.	Fate	205.	Haslet
119.	Corsicana	162.	Ferris	206.	Hawley
120.	Covington	163.	Flower Mound	207.	Hearne
121.	Crandall	164.	Floydada	208.	Heath
122.	Crawford	165.	Forest Hill	209.	Henrietta
123.	Crosbyton	166.	Forney	210.	Hereford
124.	Cross Roads	167.	Forsan	211.	Hewitt
125.	Crowley	168.	Fort Worth	212.	Hickory Creek
126.	Cumby	169.	Franklin	213.	Hico
127.	Dalhart	170.	Frankston	214.	Highland Park
128.	Dalworthington Gardens	171.	Fredericksburg	215.	Highland Village
129.	Dawson	172.	Friona	216.	Hillsboro
130.	Decatur	173.	Frisco	217.	Holland
131.	DeLeon	174.	Frost	218.	Holliday
132.	Denison	175.	Gainesville	219.	Honey Grove
133.	Denton	176.	Garland	220.	Howe
134.	Deport	177.	Garrett	221.	Hubbard
135.	DeSoto	178.	Gatesville	222.	Hurst
136.	Detroit	179.	Georgetown	223.	Hutchins
137.	Dimmitt	180.	Glen Rose	224.	Hutto
138.	Dodd City	181.	Glenn Heights	225.	Idalou
139.	Double Oak	182.	Godley	226.	Impact
140.	Dublin	183.	Goldthwaite	227.	Iowa Park
141.	Duncanville	184.	Goodlow	228.	Iredell
142.	Early	185.	Gordon	229.	Irving
143.	Earth	186.	Goree	230.	Italy
144.	Eastland	187.	Gorman	231.	Itasca
145.	Ector	188.	Granbury	232.	Jewett
146.	Edgecliff Village	189.	Grand Prairie	233.	Josephine
147.	Edmonson	190.	Grandview	234.	Joshua
148.	Edom	191.	Granger	235.	Justin
149.	Electra	192.	Grapevine	236.	Kaufman
150.	Emhouse	193.	Greenville	237.	Keene
151.	Emory	194.	Groesbeck	238.	Keller
152.	Ennis	195.	Gunter	239.	Kemp
153.	Euless	196.	Gustine	240.	Kennedale
154.	Eustace	197.	Hale Center	241.	Kerens
155.	Evant	198.	Haltom City	242.	Kerrville
156.	Everman	199.	Hamilton	243.	Killeen
		200.	Hamlin	244.	Knollwood

Texas Cities With Rate Adjustment Mechanisms (Other Than PGAs)

245.	Knox City	289.	Malone	333.	Oak Leaf
246.	Kosse	290.	Manor	334.	Oakwood
247.	Kress	291.	Mansfield	335.	O'Brien
248.	Krum	292.	Marble Falls	336.	Odessa
249.	Kurten	293.	Marlin	337.	O'Donnell
250.	Lacy Lakeview	294.	Mart	338.	Oglesby
251.	Ladonia	295.	Maypearl	339.	Olney
252.	Lake Dallas	296.	McGregor	340.	Olton
253.	Lake Tanglewood	297.	McKinney	341.	Opdyke West
254.	Lake Worth	298.	McLendon Chisholm	342.	Ovilla
255.	Lakeport	299.	Meadow	343.	Palestine
256.	Lakeside	300.	Megargel	344.	Palisades
257.	Lamesa	301.	Melissa	345.	Palmer
258.	Lampasas	302.	Meridian	346.	Pampa
259.	Lancaster	303.	Merkel	347.	Panhandle
260.	Lavon	304.	Mesquite	348.	Pantego
261.	Lawn	305.	Mexia	349.	Paradise
262.	Leander	306.	Midland	350.	Paris
263.	Leona	307.	Midlothian	351.	Parker
264.	Leonard	308.	Midway	352.	Pecan Gap
265.	Levelland	309.	Miles	353.	Pecan Hill
266.	Lewisville	310.	Milford	354.	Penelope
267.	Lexington	311.	Mobile City	355.	Petersburg
268.	Lincoln Park	312.	Moody	356.	Petrolia
269.	Lindsay	313.	Moran	357.	Pflugerville
270.	Lipan	314.	Morgan	358.	Pilot Point
271.	Little Elm	315.	Muenster	359.	Plainview
272.	Little River Academy	316.	Muleshoe	360.	Plano
273.	Littlefield	317.	Munday	361.	Pleasant Valley
274.	Llano	318.	Murchison	362.	Point
275.	Lockney	319.	Murphy	363.	Ponder
276.	Lometa	320.	Nazareth	364.	Post
277.	Lone Oak	321.	Nevada	365.	Post Oak Bend
278.	Longview	322.	New Chapel Hill	366.	Pottsboro
279.	Loraine	323.	New Deal	367.	Powell
280.	Lorena	324.	New Home	368.	Poynor
281.	Lorenzo	325.	Newark	369.	Princeton
282.	Los Ybanez	326.	Newcastle	370.	Prosper
283.	Lott	327.	Nocona	371.	Putnam
284.	Lubbock	328.	Nolanville	372.	Quanah
285.	Lueders	329.	Normangee	373.	Quinlan
286.	Mabank	330.	North Richland Hills	374.	Quitaque
287.	Madisonville	331.	Northlake	375.	Quitman
288.	Malakoff	332.	Novice	376.	Ralls

Texas Cities With Rate Adjustment Mechanisms (Other Than PGAs)

377.	Ranger	421.	Savoy	465.	Tioga
378.	Ransom Canyon	422.	Scurry	466.	Toco
379.	Ravenna	423.	Seagoville	467.	Tom Bean
380.	Red Oak	424.	Seagraves	468.	Trent
381.	Reno (Lamar County)	425.	Seminole	469.	Trenton
382.	Reno (Parker County)	426.	Seymour	470.	Trinidad
383.	Retreat	427.	Shady Shores	471.	Trophy Club
384.	Rhome	428.	Shallowater	472.	Troy
385.	Rice	429.	Sherman	473.	Tulia
386.	Richardson	430.	Silverton	474.	Turkey
387.	Richland	431.	Slaton	475.	Tuscola
388.	Richland Hills	432.	Smyer	476.	Tye
389.	Riesel	433.	Snyder	477.	Tyler
390.	Rio Vista	434.	Somerville	478.	University Park
391.	River Oaks	435.	South Mountain	479.	Valley Mills
392.	Roanoke	436.	Southlake	480.	Valley View
393.	Robert Lee	437.	Southmayd	481.	Van Alstyne
394.	Robinson	438.	Springlake	482.	Vega
395.	Roby	439.	Springtown	483.	Venus
396.	Rochester	440.	Stamford	484.	Vernon
397.	Rockdale	441.	Stanton	485.	Waco
398.	Rockwall	442.	Star Harbor	486.	Walnut Springs
399.	Rogers	443.	Stephenville	487.	Watauga
400.	Ropesville	444.	Strawn	488.	Waxahachie
401.	Roscoe	445.	Streetman	489.	Weinert
402.	Rosebud	446.	Sudan	490.	Wellman
403.	Ross	447.	Sulphur Springs	491.	West
404.	Rotan	448.	Sun Valley	492.	Westlake
405.	Round Rock	449.	Sunnyvale	493.	Westover Hills
406.	Rowlett	450.	Sweetwater	494.	Westworth Village
407.	Roxton	451.	Tahoka	495.	White Settlement
408.	Royse City	452.	Talty	496.	Whitehouse
409.	Rule	453.	Taylor	497.	Whitesboro
410.	Runaway Bay	454.	Taylor	498.	Whitewright
411.	Sachse	455.	Teague	499.	Whitney
412.	Sadler	456.	Tehuacana	500.	Wichita Falls
413.	Saginaw	457.	Temple	501.	Wilmer
414.	Saint Jo	458.	Terrell	502.	Wilson
415.	San Angelo	459.	The Colony	503.	Windom
416.	San Saba	460.	Thorndale	504.	Winters
417.	Sanctuary	461.	Thornton	505.	Wixon Valley
418.	Sanger	462.	Thrall	506.	Wolfe City
419.	Sansom Park	463.	Throckmorton	507.	Wolfforth
420.	Santa Anna	464.	Timbercreek Canyon	508.	Woodway

Texas Cities With Rate Adjustment Mechanisms (Other Than PGAs)

509. Wortham

510. Wylie

511. Yantis

Texas Gas Service COSA

512. Alamo

552. Palmhurst

513. Aledo

553. Palmview

514. Alton

554. Pecos

515. Andrews

555. Penitas

516. Barstow

556. Pharr

517. Bayou Vista

557. Port Arthur

518. Borger

558. Port Isabel

519. Breckenridge

559. Port Neches

520. Brownsville

560. Primera

521. Bryson

561. Progreso

522. Combes

562. Pyote

523. Crane

563. Rancho Viejo

524. Dell City

564. Raymondville

525. Donna

565. Rio Hondo

526. Edcouch

566. San Benito

527. Edinburg

567. San Juan

528. Elsa

568. Santa Rosa

529. Galveston

569. Skellytown

530. Graford

570. Thorntonville

531. Groves

571. Weatherford

532. Harlingen

572. Weslaco

533. Hidalgo

573. Wickett

534. Hudson Oaks

574. Willow Park

535. Jacksboro

575. Wink

536. Jamaica Beach

537. La Feria

538. La Joya

539. La Villa

540. Laguna Vista

541. Los Fresnos

542. Lyford

543. McAllen

544. McCamey

545. Mercedes

546. Millsap

547. Mineral Wells

548. Mission

549. Monahans

550. Nederland

551. Palm Valley