

## **CONSERVATION ADJUSTMENT CLAUSE**

### **DESCRIPTION**

The Conservation Adjustment Clause recovers the costs associated with the Conservation and Energy Efficiency Program offered by Texas Gas Service Company, a Division of ONE Gas, Inc., (“Company”), which offers assistance to residential and commercial customers to encourage efficient use of energy, reduce net energy consumption and lower energy utility bills.

### **APPLICABILITY**

This rate schedule is applicable to the residential and commercial rate schedules of Texas Gas Service Company, a Division of ONE Gas, Inc., that apply to the incorporated areas of Austin, Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum, Texas. This tariff will be effective beginning with the first billing cycle of 2019.

### **DEFINED TERMS**

The following definitions are for use specifically in this rider:

1. **CAC Charge**: The charge on customers’ monthly utility bills, the proceeds from which are used to fund the Conservation and Energy Efficiency Program;
2. **Regulatory Body**: The cities of Austin, Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum, Texas, including any department or office within a city with delegated authority to review and approve the Conservation and Energy Efficiency budget and CAC Charge adjustment;
3. **Residential Customers**: All incorporated residential gas sales customers within the cities of Austin, Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum, Texas; and
4. **Commercial Customers**: All incorporated commercial gas sales and transportation customers within the cities of Austin, Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum, Texas.

### **TERMS AND CONDITIONS**

1. The CAC Charge outlined in this tariff shall be updated every three years in conjunction with the filing of the CAC budget.
2. The programs offered under the Conservation Adjustment Clause (CAC) may include, but are not limited to, residential, new construction and commercial customer rebates and a low-income free appliance replacement program.

**CONSERVATION ADJUSTMENT CLAUSE (continued)**

3. A minimum of seventy percent (70 percent) of total annual program costs shall be for direct programs including, but not limited to, direct installation programs, weatherization, low-income free equipment, and rebates on high-efficiency natural gas appliances.
4. The remaining program costs shall be spent on common education and administrative costs. Administrative costs shall not exceed fifteen percent (15 percent) of total CAC program costs.
5. Common education and administrative costs will be allocated to each rate class based upon the proportion of direct costs.
6. Actual expenditures on direct programs may vary from the budgeted amounts among approved programs of the same customer class.
7. The overall portfolio of direct program offerings shall be designed to conserve energy and contain a comprehensive array of programs that allows for participation from a wide variety of customer types. The overall budget shall be cost-effective based on the evaluation of a third-party consultant using industry standard methodologies, such as those prescribed by the California Standard Practice Manual.
8. Texas Gas Service will provide the City of Austin Resource Management Commission (“Commission”) or successor board or commission the proposed program selection and budget no later than 45 days prior to a budget filing. The Commission will review the program selection and budget, provide input and make a recommendation to the City of Austin. Public comment and/or input shall be heard by the Commission during these meetings.
9. A proposed budget shall be deemed approved if all terms and conditions are met.

**ADJUSTMENT OF CAC CHARGE**

The CAC Charge for a given three-year period will be separately calculated for each individual customer class according to the following and shall be included on the customer’s monthly utility bill. The initial charge, to begin with the first billing cycle of 2019, will be implemented in conjunction with the budget for the years 2019-2021.

<b>Residential</b>	<b>Commercial</b>
CAC Fixed Charge = $\frac{BCD + BA}{NB}$	CAC Volumetric Charge = $\frac{BCD + BA}{NV}$

BCD = Budgeted Conservation Dollars. The BCD shall include all expected costs attributable to the Company’s Conservation and Energy Efficiency Program for the 12-month period ending December 31 of each year, including but not limited to, rebates paid, material costs, cost of educational and consumer awareness materials related to energy conservation/efficiency, planning, development, implementation, evaluation and administration of the CAC program.

**CONSERVATION ADJUSTMENT CLAUSE (continued)**

BA = Balance Adjustment. The BA shall compute the differences between Rider CAC collections by class and expenditures by class for the 36-month period ending the prior (date) and collect the over/under recovery during the subsequent 36-month period beginning (date) of the following year.

NB = Actual bills from the prior calendar year, normalized for growth/attrition

NV = Actual volumes from the prior calendar year normalized for weather and growth/attrition, listed in Ccf

**REPORTING**

Program selection and the annual budget will be determined for a 3-year period.

The following documents will be filed with the Regulatory Body beginning in 2018:

1. Rate Schedule 1C indicating the new CAC Charge for each of the affected rate classes, to be filed within 20 days of implementation;
2. An annual report of the prior calendar year collections and disbursements, to be filed within 120 days following the prior calendar year end. The annual report will also be made available on the Company's website. The annual filing shall include the BCD, twelve-month BA, data on the total cost of the Conservation and Energy Efficiency Program, and reporting of program administrative and education costs; and
3. A calendar year budget will be provided to the Regulatory Body by the Company on or before October 15 of the year prior to start of the following 3-year period. If no action is taken by the Regulatory Body by November 30, the budget and resulting CAC charge will automatically be approved for the next three-year period.

**NOTICE AND REGULATORY EXPENSES**

The cost of any public notice issued or regulatory expenses incurred will be recovered through the subsequent CAC Charge and are not subject to the approved budget or administrative cap.