

# Mayor and Council Communication

**DATE:** 06/08/21

**M&C FILE NUMBER:** M&C 21-0392

**LOG NAME:** 21COSERV GAS RATE INCREASE

**SUBJECT**

(ALL) Conduct Public Hearing and Adopt Attached Ordinance Approving Negotiated Settlement Agreement and Establishing Maximum Permitted Rates and Charges that CoServ Gas, Ltd. May Assess Customers in the City of Fort Worth

(PUBLIC HEARING - a. Report of City Staff: Steve Cooke b. Public Comment c. Council Action: Close Public Hearing and Act on M&C)

**RECOMMENDATION:**

It is recommended that the City Council adopt the attached Ordinance which:

1. Approves the negotiated Settlement Agreement establishing maximum permitted rates and charges that CoServ Gas, Ltd. may assess customers in the City of Fort Worth;
2. Finds the rates agreed to in the Settlement Agreement are just and reasonable;
3. Orders CoServ Gas, Ltd. to implement the rates agreed to in the Settlement Agreement; and
4. Requires CoServ Gas, Ltd. to reimburse City's reasonable rate case expenses.

**DISCUSSION:**

The purpose of this Mayor and Council Communication (M&C) is to take action to adopt the attached Ordinance, which approves the negotiated Settlement Agreement establishing maximum permitted rates and charges that CoServ Gas, Ltd. ("CoServ" or "Company") may assess customers in the City of Fort Worth ("City").

On or about November 13, 2020, the Company, 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 its service area. The proposed effective date for the new rates was January 23, 2021.

On January 12, 2021, the City Council, having original jurisdiction over rates, operations and services of any gas utility operating in the City, passed Resolution 5330-01-2021 (M&C 21-0038) to suspended the effective date for 90 days, giving the City until June 12, 2021 to evaluate the application and take final action. The City joined with the other cities (collectively the "CoServ Gas Cities") to conduct a review of the Company's application by hiring and directing legal counsel and consultants to prepare a common response and negotiate with the Company and direct any necessary litigation. The Company agreed to extend the proposed effective date to March 14, 2021, with a statutory deadline of August 10, 2021.

CoServ Cities and the Company representatives recognized that the cost to litigate this case before the RRC would be prohibitively expensive for CoServ Gas customers, so parties sought to reach a settlement. On or about May 14, 2021, a Settlement Agreement was reached between CoServ Gas Cities and the Company, which resolved all issues relating to the CoServ's Statement of Intent to Increase Rates. The rates, terms and conditions established by the Settlement Agreement shall be effective for meters read on or after the effective date of the Commission's Final Order.

The Settlement Agreement reduces the Company's requested rate increase of \$11,500,000.00 down to \$6,250,000.00 million representing a 45.6% reduction to the Company's request. Additionally, the settlement agreement provides for a 9.5% return on equity rather than the Company's requested 11.5% return on equity. Finally, the settlement agreement provides for a customer charge of \$15.00, compared to the Company's original \$18.50 request. The commercial and public authority customer charge will be \$35.00, versus the Company's original \$43.50 request.

The attached Ordinance approves the Settlement Agreement reached between the CoServ Gas Cities and the Company, finds that the rates agreed to in the Settlement Agreement are just and reasonable, orders the Company to implement the rates agreed to in the Settlement Agreement, and reimburse the City's reasonable rate case expenses stated in the settlement agreement.

The following tables show current and recommended rates: Comparison of current rates adopted by Ord. No. 18818-09-2009; effective October 1, 2009; requested and recommended Residential and Commercial rates provided in the Settlement Agreement reached between CoServ Gas Cities and the Company on or about May 14, 2021

<b>RESIDENTIAL</b>		
	<b>PRESENT</b>	<b>RECOMMENDED</b>
<b>Customer Charge</b>	\$7.00	\$15.00
<b>Volumetric Charge (per Ccf)</b>		
<b>Up to 20 Ccf</b>	\$0.20	\$0.12097
<b>Next 50 Ccf</b>	\$0.20	\$0.12097

<b>RESIDENTIAL</b>		
<b>All Additional Ccf</b>	\$0.20	\$0.12097
<b>COMMERCIAL</b>		
	<b>PRESENT</b>	<b>RECOMMENDED</b>
<b>Customer Charge</b>	\$13.50	\$35.00
<b>Volumetric Charge (per Ccf)</b>		
<b>Up to 300 Ccf</b>	\$0.23	\$0.06479
<b>Next 200 Ccf</b>	\$0.23	\$0.06479
<b>All Additional Ccf</b>	\$0.23	\$0.06479

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

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**FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that this action will have no material effect on City Funds.

**Submitted for City Manager's Office by:** Dana Burghdoff 8018

**Originating Business Unit Head:** Steve Cooke 5134

**Additional Information Contact:** Juanita Rigsby 8518

Expedited