

# Mayor and Council Communication

**DATE:** 08/22/23

**M&C FILE NUMBER:** M&C 23-0694

**LOG NAME:** 21COSERV RATE INCREASE 2023

## **SUBJECT**

(ALL) Adopt Attached Ordinance Suspending Rate Increases Proposed by CoServ Gas, Ltd., and Retention of Legal Counsel and Consultants to Study Propriety of Proposed Rate Increases

---

## **RECOMMENDATION:**

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

1. Suspends the implementation of the rate increases filed with the City by CoServ Gas, Ltd. on or about July 28, 2023; and
  2. Authorizes the City Manager or his designee to cooperate with other cities served by CoServ Gas, Ltd., to hire direct legal counsel (Lloyd Gosselink Rochelle & Townsend, P.C.) and consultants regarding the rate increase filing.
- 

## **DISCUSSION:**

The purpose of this Mayor and Council Communication (M&C) is to take action to suspend the implementation of the proposed rate increases filed by CoServ Gas, Ltd. (CoServ). On July 28, 2023, CoServ, 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 is September 1, 2023.

CoServ is seeking to increase its annual revenues in incorporated areas by \$10.3 million, which is an increase of 7.5% including gas costs, or 27.3% excluding gas costs. CoServ is also requesting: (1) new depreciation rates for distribution and general plant; (2) a prudence determination for capital investment; (3) specification of the factors to be used in any Interim Rate Adjustment Filing the Company makes pursuant to Texas Utilities Code § 104.302; and (4) a surcharge on customer bills to recover the reasonable rate case expenses associated with the filing of this Statement of Intent.

Under state law, the City has original jurisdiction over the rates, operations, and services of any gas utility operating in the City. The City's Charter grants the City Council the power by ordinance to fix and regulate the rates of all public utilities in the City. If the City fails to take some action regarding the filing before the effective date of September 1, 2023, CoServ's rate request is deemed approved. To have enough time to analyze the rate filing, the City is allowed to suspend the proposed rate change for up to 90 days after the date the rate change would otherwise be effective. During the suspension period, the gas utility's current rates will continue in effect.

The attached ordinance suspends the September 1, 2023 effective date of CoServ's rate increase for the maximum period permitted by law and allows the City to cooperate with other cities served by CoServ to hire and direct legal counsel (Lloyd Gosselink Rochelle & Townsend, P.C.) and consultants, negotiate with CoServ, make recommendations to the City regarding reasonable rates and to direct any necessary administrative proceedings or court litigation associated with an appeal of a rate ordinance and the rate case filed with the City or Railroad Commission. Because this is a rate-making proceeding, CoServ will reimburse the cities for legal and consulting costs.

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

---

## **FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that approval of these recommendations will have no material effect on City funds.

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

**Originating Business Unit Head:** Ricardo Salazar 8379

**Additional Information Contact:** Juanita Rigsby 8518