

Mayor and Council Communication

DATE: 06/02/26

M&C FILE NUMBER: M&C 26-0407

LOG NAME: 21SIENERGY RATE SUSPENSION

SUBJECT

(CD 4, CD 6, CD 7, CD 10, and CD 11) Adopt an Ordinance Suspending Rate Increases Proposed by SiEnergy Gas, LLC, and Retention of Legal Counsel and Consultants to Evaluate the Proposed Rates

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached ordinance which suspends the implementation of the rate increases filed by SiEnergy Gas, LLC, with the Texas Railroad Commission on May 4, 2026; and
 2. Authorizes the City Manager or his designee to cooperate with other cities served by SiEnergy Gas, LLC, to hire direct legal counsel (Lloyd Gosselink Rochelle & Townsend, P.C.) and to evaluate the proposed rates.
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DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is for council approval to suspend the implementation of the proposed rate increases filed by SiEnergy Gas, LLC (SiEnergy or Company). On May 4, 2026, SiEnergy, 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 June 8, 2026.

SiEnergy is seeking to increase its revenues by approximately \$4.0 million, which is an increase of 16.1% including gas costs, or 24.0% excluding gas costs.

SiEnergy is also seeking to consolidate all service areas into a single statewide jurisdiction. The Company's proposed rates for all of its customers are based on the systemwide cost of providing service to customers throughout the entirety of Texas. SiEnergy is also requesting: (1) approval of new depreciation rates for use following the consolidation; (2) approval to adopt revised Weather Factors by Area for the Weather Normalization Adjustment tariff; (3) the establishment of baseline factors for future Interim Rate Adjustment filings made pursuant to Gas Utility Regulatory Act § 104.301; (4) approval to continue the recovery of Winter Storm Uri regulatory asset expense with a revised factor per Ccf for the Rate SUR tariff; (5) a finding that the investment made in SiEnergy's natural gas distribution system between April 1, 2023 and December 31, 2025, is used and useful, prudent, reasonable, and necessarily incurred; and (6) approval of a rate case expense recovery tariff to recover the reasonable rate case expenses associated with its filing through a surcharge on rates.

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 action regarding the filing before the effective date, SiEnergy's rate request is deemed approved. To have sufficient 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 June 8, 2026 effective date of SiEnergy's rate increase for the maximum period permitted by law and allows the City to cooperate with other cities served by SiEnergy to hire and direct legal counsel (Lloyd Gosselink Rochelle & Townsend, P.C.) and consultants, negotiate with SiEnergy, 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, SiEnergy will reimburse the cities for legal and consulting costs.

SiEnergy serves citizens in Council Districts 4, 6, 7, 10, and 11.

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.

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