

# Mayor and Council Communication

**DATE:** 08/22/23

**M&C FILE NUMBER:** M&C 23-0698

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

## **SUBJECT**

(ALL) Adopt Ordinance Approving a Unanimous Settlement Agreement of Permitted Rates and Charges that SiEnergy, LP, may Assess Customers in the City of Fort Worth Effective November 6, 2023

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## **RECOMMENDATION:**

1. It is recommended that the City Council adopt the attached Ordinance approving a unanimous settlement agreement of permitted rates and charges that SiEnergy, LP, may assess customers in the City of Fort Worth; effective November 6, 2023; and
  2. Approve tariffs, proof of revenues, and depreciation rates that implement the terms of the Settlement Agreement.
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## **DISCUSSION:**

The purpose of this Mayor and Council Communication (M&C) is to approve a unanimous settlement between the City of Fort Worth and SiEnergy, LP, (SiEnergy or Company) regarding the Company's Statement of Intent to increase rates within its service territory and to approve tariffs, proof of revenues, and depreciation rates (included as Attachments 2 and 3 to the Ordinance) that implement the terms of the Settlement Agreement.

SiEnergy's rate request is the first time the Company has taken action to increase the rates charged for distributing natural gas in the City of Fort Worth in approximately five years. During that time, the City has retained original jurisdiction over the rates, operations, and services of the natural gas utility within the City of Fort Worth.

On May 5, 2023, SiEnergy filed a Statement of Intent seeking to increase gas utility rates within the incorporated areas served by SiEnergy in North, Central, and South Texas. The affected municipalities include the cities of Austin, Celina, Conroe, Fate, Forney, Fort Worth, Fulshear, Grand Prairie, Houston, Manor, Mansfield, Missouri City, Princeton, Sugar Land, and Waxahachie, Texas. In the filing, the Company asserts it is entitled to a \$2.67 million revenue increase in the incorporated areas or a 47.3% increase over current adjusted revenues, excluding gas costs. The Company asked for a \$32.14 million revenue requirement.

The Cities of Fate, Forney, Fort Worth, Fulshear, Grand Prairie, Houston, Mansfield, Missouri City, Sugarland, and Waxahachie (together "Cities Served by SiEnergy" or "Cities") took action to suspend the June 9, 2023, effective date and participate in the proceeding as a coalition. The Railroad Commission of Texas suspended the effective date for a period of 150 days, to November 6, 2023, in accordance with the Gas Utility Regulatory Act.

Cities hired an attorney and natural gas rate experts to investigate the Company's request and conduct discovery. Based upon their analysis, they were able to negotiate a reasonable final resolution of the rate request.

Approval of the Ordinance will result in a revenue requirement of \$27.95 million for SiEnergy. This is a \$4.19 million reduction to the \$32.14 million revenue requirement requested by SiEnergy in its Statement of Intent and an increase of approximately \$5.5 million in current annual revenues system wide. The Settlement Agreement also reflects an agreement that the Company will not utilize the Gas Reliability Infrastructure Program to make interim rate adjustments before its next comprehensive rate case. The Settlement Agreement also increases the residential monthly customer charge to \$19.25 from the previous customer charge of \$17.25. Through settlement, SiEnergy agreed to provide a one-time aggregate credit totaling \$101,084.00. The Settlement Agreement approves the recovery of the City's reasonable rate case expenses and the Company's agreed-to rate case expenses through a surcharge on customers' bills.

Cities who took action suspending the rate application have until September 7, 2023 to take final action on the application.

The attached ordinance reflects the terms of the negotiated settlement between the Cities Served by SiEnergy and SiEnergy, LP, to resolve issues raised by Cities Served by SiEnergy during the review and evaluation of SiEnergy's filing. The attached ordinance, approves SiEnergy's \$27.95 million revenue requirement as determined on a system-wide basis, the agreement for SiEnergy not to utilize Gas Reliability Infrastructure Program interim rate adjustments, approves the tariffs, approves SiEnergy's one-time aggregate credit, approves implementation of a uniform rate in the North, Central and South Texas service areas, and approves the agreed-upon rate case expenses.

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 approval of these recommendations will have no material effect on City funds.

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Expedited