

Mayor and Council Communication

DATE: 01/12/21

M&C FILE NUMBER: M&C 21-0038

LOG NAME: 21COSERV RATE INC

SUBJECT

(ALL) Adopt a Resolution 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 resolution which:

1. Suspends the implementation of the rate increases filed with the City by CoServ Gas, Ltd., on November 13, 2020; 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 in regard to 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 November 13, 2020, 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 January 23, 2021.

CoServ is seeking to increase its gas rates on a system-wide basis by \$9,600,000.00 per year, and by \$8,113,409.00 in the incorporated areas. This equates to an increase of 11.6% on total revenues or a 29.0% increase in base rates for the incorporated areas. CoServ is also requesting: (1) commission approval of depreciation rates for distribution and general plant; (2) a prudence determination for capital investment; (3) a finding that the approvals of the administrative orders by the Gas Services Division of the commission based on the accounting order in Gas Utilities Docket No. 10695 are reasonable and accurate; 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. If the City fails to take some action regarding the filing before the effective date of January 23, 2021, CoServ's rate request is deemed approved. In order 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 resolution suspends the January 23, 2021 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 this recommendation 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: Roger Venables 6334