



CITY COUNCIL AGENDA REPORT

DATE: September 5, 2025

AGENDA OF: September 09, 2025

DEPARTMENT: Finance

SUBJECT: Gas Rate Adjustment Options

RECOMMENDED MOTION: If Council selects Option 1 – Incremental Rate Increase: “I move to approve the Gas Utility Rate Adjustment as presented under Option 1: Incremental Rate Increase” or

If Council selects Option 2 – One-time Rate Increase: “I move to approve the Gas Utility Rate Adjustment as presented under Option 2: One-time Rate Increase”.

BACKGROUND:

The City of Castroville previously contracted with CPS Energy for operations and maintenance (O&M) of the natural gas utility system. That agreement has since been terminated, requiring the City to assume full responsibility for the operation, maintenance, and oversight of the gas system. As a result, the gas utility budget has increased to cover the hiring of new staff, purchase of equipment, and capital expenditures necessary to safely and effectively manage the system in-house. To ensure the gas utility remains financially sustainable, two rate adjustment options have been developed for Council’s consideration:

- **Option 1:** Incremental Rate Increase — phasing in smaller increases over time to gradually reach the needed revenue level.
- **Option 2:** One-time Rate Increase — implementing a single adjustment to immediately align rates with system needs.

The presentation also includes a comparison of Castroville’s residential gas rates to those of surrounding communities, providing context for the proposed changes.

FISCAL IMPACT/SOURCE OF FUNDING: ☐ Budgeted ☐ Requires Budget Amendment

ATTACHMENTS: Ordinance on Proposed Gas Rate Adjustment
Presentation by Senergy (Ramsey Cripe)

Urgency (0-5 = Low Urgency to High Urgency): 5
Impact (0-5 = Low Impact to High Impact): 5

Submitted by: Leroy Vidales, Finance Director