



**STAFF REPORT**  
**City of Dripping Springs**  
**PO Box 384**  
**511 Mercer Street**  
**Dripping Springs, TX 78620**

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**Submitted By:** Laura Mueller, City Attorney

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**Council Meeting Date:** September 3, 2024.

**Agenda Item Wording:** **Discuss and consider approval of a resolution denying Texas Gas Service Company’s proposed rate request at the City level.**

**Agenda Item Requestor:** Laura Mueller, City Attorney

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**Summary/Background:** On June 3, 2024, Texas Gas Service Company (“TGS” or “Company”) a Division of ONE Gas, Inc. (“ONE Gas”), 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 the incorporated areas of the Central-Gulf Service Area (“CGSA”), effective July 8, 2024.

TGS sought to increase its revenues in the CGSA by \$25.8 million, which is an increase of 9.83% including gas costs, or 15.59% excluding gas costs. TGS is also requesting: (1) approval of new depreciation rates for certain plant within the CGSA; (2) a finding that expenses for Winter Storm Uri and COVID-19 that are contained in regulatory assets authorized by the RRC are reasonable, necessary, and accurate; (3) a prudence determination for capital investment made in the CGSA through December 31, 2023; (4) approval to include Excess Deferred Income Taxes (“EDIT”) in base rates, with discontinuance of the EDIT Rider to return EDIT to customers; and (5) approval to recover the reasonable rate case expenses associated with the filing through a surcharge.

The Company’s new proposed tariff includes: (1) a new Small and Large Residential rate design and related rate schedules based on customer usage patterns; (2) a new Small and Large Commercial rate design and related rate schedules based on customer usage patterns; (3) a new Renewable Natural Gas Credits program rate schedule; (4) new rate schedules for a rate case expense surcharge; and (5) certain revisions to the Company’s Rules of Service.

On June 18, 2024, City Council suspended TGS’s rate request from taking effect for 90 days, the fullest extent permissible under the law, until October 4, 2024. This time period has permitted the City, through its participation in a coalition of similarly situated cities (“TGS Cities”), to determine that the

proposed rate increase is unreasonable. Consistent with the recommendations of experts engaged by TGS Cities, TGS's request for a rate increase should be denied.

Accordingly, the purpose of the Resolution is to deny the rate change application proposed by TGS.

**Commission  
Recommendations:**

N/A

**Recommended  
Council Actions:**

Approve Resolution denying Texas Gas Service Company's proposed rate request at the City level.

**Attachments:**

Resolution 2024-R018.

**Next Steps/Schedule:**

Notify Texas Gas Service Company and law firm representing City.