



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

Submitted By: Laura Mueller, City Attorney

Council Meeting Date: June 18, 2024.

Agenda Item Wording: **Discuss and consider approval of a resolution authorizing intervention in Texas Gas Service Company's rate case before the Railroad Commission.**

Agenda Item Requestor: Laura Mueller, City Attorney

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 is seeking 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.

The resolution suspends the July 8, 2024 effective date of the Company's rate increase for the maximum period permitted by law to allow the City, working in conjunction with other similarly situated cities with original jurisdiction served by TGS, to evaluate the filing, to determine whether the

filing complies with the law, and if lawful, to determine what further strategy, including settlement, to pursue.

The law provides that the Company's rate request cannot become effective until at least 35 days following the filing of the application. The law permits the City to suspend the rate change for 90 days after the date the rate change would otherwise be effective. If the City fails to take some action regarding the filing before the effective date, TGS's rate request is deemed approved

**Commission
Recommendations:**

N/A

**Recommended
Council Actions:**

Approve Resolution 2024-R08 authorizing City to engage law firm and intervene in TGS's pending application for approval to increase its rates before the Railroad Commission.

Attachments:

Resolution 2024-R08.

Next Steps/Schedule:

Notify and engage law firm to represent City in intervention.