

**MODEL STAFF REPORT REGARDING TEXAS GAS SERVICE  
COMPANY'S STATEMENT OF INTENT TO INCREASE RATES IN THE  
RIO GRANDE VALLEY SERVICE AREA**

**ACTION MUST BE TAKEN TO SUSPEND THE EFFECTIVE DATE ON OR BEFORE  
AUGUST 23, 2023.**

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On June 30, 2023, Texas Gas Service, a Division of ONE Gas, Inc. (TGS or Company), filed a Statement of Intent seeking to increase gas utility rates within the incorporated areas of the Rio Grande Valley Service Area (RGVSA). The affected Rio Grande Valley municipalities include the cities of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, Laguna Vista, La Joya, La Villa, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas (RGV Cities). In the filing, the Company asserts it is entitled to a \$9.81 million revenue increase from RGV Cities or an 25.94% increase over current adjusted revenues, excluding gas costs.

TGS has received annual rate increases in each of the past five years based on a cost-of-service (COS) tariff approved by the cities. Under the COS tariff, it was not necessary for cities to pass suspension resolutions. A traditional rate case requires cities with original jurisdiction to act to suspend, deny, or approve the Company filing before the effective date. Cities must pass the suspension resolution by August 23, 2023.

The law provides that a rate request made by a gas utility cannot become effective until at least 35 days following the filing of the application to change rates. TGS has proposed an effective date of August 23, 2023. 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 action regarding the filing before the effective date, TGS' rate request is deemed administratively approved.**

The purpose of the resolution is to extend the effective date of the Company's proposed rate increase. The resolution suspends the August 23, 2023 effective date of the Company's request for the maximum period permitted by law to allow the City to evaluate the filing, determine whether the filing complies with law, and if lawful, to determine what further strategy to pursue, including settlement and ultimately to approve reasonable rates. The Resolution must be passed before August 23, 2023.

### **Explanation of “Be It Resolved” Paragraphs:**

Section 1. This section incorporates the “whereas” provisions in preamble into the Resolution.

Section 2. This section confirms that the City is authorized to protect the interests of the City and TGS customers residing in the City.

Section 3. The City is authorized to suspend the rate change for 90 days after the date that the rate change would otherwise be effective so long as the City has a legitimate purpose. Time to study and investigate the application is always a legitimate purpose. Please note that the resolution refers to the suspension period as the “maximum period allowed by law” rather than ending by a specific date. This is because the Company controls the effective date and can extend its effective date and, therefore, extend the deadline for final city action to increase the time that the City retains jurisdiction (for example, if necessary to reach settlement on the case). If the effective date is not otherwise extended by the Company, the City must take final action on TGS’ request to raise rates by August 23, 2023.

Section 4. This section authorizes the hiring of outside attorneys and consultants to work on this matter.

Section 5. This section provides that the City shall work in coalition with the other affected Rio Grande Valley municipalities to review and evaluate TGS’s filing.

Section 6. By law, the Company must reimburse the cities for their reasonable rate case expenses. Legal counsel and consultants approved by Cities will present their invoices to the City of McAllen which will then seek reimbursement from Texas Gas Service. The City will not incur liability for payment of rate case expenses by adopting a suspension resolution.

Section 7. This section merely recites that the resolution was passed at a meeting that was open to the public and that the consideration of the resolution was properly noticed.

Section 8. This section provides that both TGS’ designated representative and counsel for Cities will be notified of the City’s action by sending a copy of the approved and signed resolution to certain designated individuals.

Section 9. This section identifies the effective date of the Resolution as the time it is adopted.

### **Recommendation**

The City Staff recommends adoption of the resolution suspending the effective date of TGS’s proposed rate increase.