

AGENDA INFORMATION SHEET

DENIAL OF WEST TEXAS GAS UTILITY, LLC’S PROPOSED INCREASE IN RATES FILED ON ABOUT JULY 16, 2024; AUTHORIZING PARTICIPATION IN THE ALLIANCE OF WTG MUNICIPALITIES (AWM); AUTHORIZING INTERVENTION IN PROCEEDINGS RELATED TO WTG’S STATEMENT OF INTENT; REQUIRING THE REIMBURSEMENT OF MUNICIPAL RATE CASE EXPENSES; AUTHORIZING REPRESENTATION OF THE CITY BY SPECIAL COUNSEL

BACKGROUND

On about July 16, 2024, West Texas Gas Utility, LLC. (“WTG”) filed a Statement of Intent to increase its base rate revenues by approximately **\$6.78 million**; this equates to an **increase in annual revenue of about 35.75% including gas costs, and 51.40% excluding gas costs**. This is WTG’s first request to increase its base rates since 2020. Following the conclusion of its 2020 rate gas (Gas Utilities Docket No. 10998), WTG has raised its rates by means of four Interim Rates Adjustment (“IRA”) filings, also known as “GRIP” filings.

WTG proposes an effective date of August 20, 2024 for its change in rates. As is explained below, the proposed Resolution related to WTG’s application to increase its base rate revenues, if adopted, denies WTG’s proposed increase in rates.

BILL IMPACT:

WTG proposes to increase base rates for its “Domestic Customers,” i.e., residential customers, and its “Non-Domestic Customers,” i.e., industrial and commercial customers. The table below shows WTG’s current rates and its proposed rates:

Domestic Customers		
	Current	Proposed
Customer Charge	\$23.42 per month	\$29.50 per month
All Consumption	\$4.84 per Mcf	\$7.68 per Mcf
Non-Domestic Customers		
	Current	Proposed
Customer Charge	\$43.57 per month	\$79.00 per month
All Consumption	\$2.69 per Mcf	\$4.89 per Mcf

The impact on an average bill of WTG’s proposed increase in rates is shown in the table below:

Customer Class and Gas Cost Zone	Current Average Monthly Bill with Gas Cost	Proposed Average Monthly Bill with Gas Cost	Proposed Monthly Increase	Percentage Increase with Gas Cost	Percentage Increase without Gas Cost
North Zone					
Domestic	\$73.96	\$96.83	\$22.87	30.9%	44.0%
Non-Domestic	\$164.10	\$240.97	\$76.86	46.8%	81.6%
West Zone					
Domestic	\$60.83	\$580.67	\$19.84	32.6%	42.3%
Non-Domestic	\$179.22	\$268.22	\$89.01	49.7%	81.6%
South Zone					
Domestic	\$42.50	\$55.33	\$12.83	30.2%	36.7%
Non-Domestic	\$184.46	\$272.60	\$88.14	47.8%	81.6%

NORTH GAS COST ZONE: Cities of Amarillo, Cactus, Canadian, Canyon, Claude, Dalhart, Darrrouzett, Farwell, Follett, Groom, Higgins, Miami, Mobeetie, Shamrock, Stratford, Texhoma, Texline, Wheeler and White Deer.

SOUTH GAS COST ZONE: Cities of Devine, Eden, Junction, La Vernia, Lockhart, Luling, Menard, Natalia, Paint Rock, Seguin, Somerset and Sonora.

WEST GAS COST ZONE: Cities of Balmorhea, Kermit, Lubbock, Van Horn, and Wolfforth.

REVENUE IMPACT:

Assuming WTG’s proposed increase is approved, the effect on the change in base rate revenue not including gas costs, for each customer class is shown below:

Class of Customer	Current Revenue	Proposed Revenue	Percentage Increase
Domestic	\$10,183,324	\$14,510,622	42.5%
Non-Domestic	\$3,005,044	\$5,456,636	81.5%
TOTAL	\$13,188,368	\$19,967,258	51.4%

Because of the substantial increase in rates to the Domestic class and Non-Domestic class of customers the City should closely scrutinize WTG’s proposed increase as well as its proposed allocation of costs to the customer classes.

ACTION REQUIRED BY AUGUST 20, 2024

The City must take action on WTG’s Statement of Intent before August 20, 2024. Absent such action, WTG’s proposed rates are deemed approved by operation of law.

ALLIANCE OF WTG MUNICIPALITIES

The Alliance of WTG Municipalities (“AWM”) was organized by a number of municipalities served by WTG. Alfred R. Herrera, with the law firm of Herrera Law & Associates, PLLC, has previously represented AWM in rate cases involving WTG.

CITY JURISDICTION TO SET WTG’S RATES

Unless a city ceded its original jurisdiction to the Railroad Commission of Texas, the Gas Utility Regulatory Act § 103.001 grants a city exclusive original jurisdiction over a gas utility’s rates, services, and operations within the city limits. But even if a city has ceded its jurisdiction to the Railroad Commission, the Gas Utility Regulatory Act § 103.023 (“GURA”), grants a city the statutory right to participate in rate proceedings before the Railroad Commission.

RATE CASE EXPENSES

Cities by statute are entitled to recover their reasonable rate case expenses from the utility. See GURA § 103.022. Legal counsel and consultants approved by AWM will submit monthly invoices to the coalition-designated city that will be forwarded to WTG for reimbursement. No individual city’s budget is negatively affected.

OPTIONS FOR CITY ACTION:

The City has three options with respect to the action it takes regarding WTG’s application to increase rates:

1. The City could take no action, and under state law, WTG’s proposed increase in revenue and change rates would be deemed approved by operation of law and go into effect on WTG’s proposed effective date, August 20, 2024;
2. The City may suspend WTG’s proposed effective date of August 20, 2024, for its increase its, for the statutorily allowed period of 90 days, which means the suspension would expire on November 18, 2024. If the City suspends WTG’s proposed effective date, the City will need to take final action on the merits of WTG’s proposed increase in revenue and rates by no later than November 18, 2024;
3. The City may deny WTG’s proposed increase in revenue and rates; if the City denies WTG’s proposed increase, WTG will have the right to appeal the City’s action to the Railroad Commission of Texas, which it would do.

RECOMMENDATION

It is recommended that the City join or continue its participation in AWM and retain the law firm of Herrera Law & Associates, PLLC to represent the City's interest in matters related to WTG's rate case and to advise the City with regard to WTG's application, and that, if WTG either submits its application to the Railroad Commission of Texas, or appeals the City's final decision to the Railroad Commission, the City intervene in the proceeding before the Railroad Commission of Texas, should such proceedings develop, and court appeals, if any.

Also, WTG's rate-filing package is complex and voluminous as it contains thousands of pages of data, and thus, it is unlikely that the City's Special Counsel and consultants could complete their analysis and present it the City in time for the City to take final action before the end of the City's statutory timeframe. Consequently, AWM's Special Counsel recommends that the City adopt a Resolution denying WTG's proposed increase in revenue and rates.

The City must take action no later than August 20, 2024. If the City does not take action by August 20, 2024, WTG's proposed rates will be deemed approved by operation of law.