



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: City Manager's Office

CM/DCM/ACM: Sara Hensley, City Manager

DATE: Dec. 5, 2023

SUBJECT

Consider approval of a resolution of the City of Denton, Texas finding that CoServ Gas, LTD.'s Statement of Intent to increase rates within the City should be denied; finding that the City's reasonable rate case expenses shall be reimbursed by the company; finding that the meeting at which this resolution is passed is open to the public as required by law; requiring notice of this resolution to the Company and the City's legal counsel; and providing an effective date.

BACKGROUND

On July 28, 2023, CoServ Gas, Ltd. ("CoServ" or "Company"), 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 its service area, effective September 1, 2023.

CoServ is seeking to increase its annual revenues in incorporated areas by \$10,314,726, which is an increase of 7.5% including gas costs, or 27.3% excluding gas costs. CoServ is also requesting: (1) new depreciation rates for distribution and general plant; (2) a prudence determination for capital investment; (3) specification of the factors to be used in any Interim Rate Adjustment Filing the Company makes pursuant to Texas Utilities Code § 104.302; and (4) a surcharge on customer bills to recover the reasonable rate case expenses associated with the filing of this statement of intent.

On Aug. 15, 2023, the City Council adopted a resolution suspending the implementation of the rate increase for ninety (90) days to allow the City, working in conjunction with other similarly situated cities with original jurisdiction served by CoServ, 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 Steering Committee of Cities Served by CoServ Gas, Ltd. ("CoServ Gas Cities") engaged the services of consultants to review the Company's filing. The consultants identified numerous unreasonable expenses and proposed significant reductions to the Company's request. Settlement discussions are ongoing, but no agreement has been met. Accordingly, CoServ Gas Cities' attorneys recommend that all member cities adopt the Resolution denying the rate change. Once the Resolution is adopted, CoServ will have 30 days to appeal the decision to the Railroad Commission where the appeal will be consolidated with CoServ's filing.

Cities with original jurisdiction must adopt the denial resolution no later than December 7, 2023.

OPTIONS

1. Deny the CoServ rate increase request, which will likely result in CoServ's appeal to the Texas Railroad Commission.

2. Do not deny the rate increase and permit the rate increases requested by CoServ to take effect.

RECOMMENDATION

Deny the CoServ rate increase request, which will likely result in CoServ's appeal to the Texas Railroad Commission.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

Aug. 15, 2023: Resolution to suspend rate increase for 90 days

EXHIBITS

1. Agenda Information Sheet
2. Resolution

Respectfully submitted:
Ryan Adams
Chief of Staff