



# Memorandum

**Date:** December 14, 2020  
**To:** Plano City Council  
**From:** Brandi Youngkin, Director of Policy & Government Relations  
**Subject:** Resolution to Suspend CoServ Gas, Ltd. Rate Change

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**Summary** On November 13, 2020, 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 January 23, 2021.

CoServ is seeking to increase its gas rates on a system-wide basis by \$9.6 million per year, and by \$8,113,409 million in the incorporated areas. This equates to an increase of 11.6% on total revenues, or 29.0% increase in base rates for the incorporated areas. CoServ is also requesting: (1) Commission approval of depreciation rates for distribution and general plant; (2) a prudence determination for capital investment; (3) a finding that the approvals of the administrative orders by the Gas Services Division of the Commission based on the Accounting Order in Gas Utilities Docket No. 10695 are reasonable and accurate; and (4) a surcharge on customer bills to recover the reasonable rate case expenses associated with the filing of this statement of intent.

The Resolution suspends the January 23, 2021 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 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 law provides that a rate request made by CoServ cannot become effective until at least 35 days following the filing of the application to change rates. 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, CoServ’s rate request is deemed approved.

Background In the City of Plano, an estimated 6% is serviced by CoServ Gas, and the remaining 94% is serviced by Atmos Energy. CoServ Gas territories in Plano are located along Highway 121 in North Plano and in far West Plano.

#### Explanation of “Be it Resolved” Sections

Section I. The City is authorized to suspend the rate change for 90 days after the date that the rate change would otherwise be effective for any 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 the deadline for final city action to increase the time that the City retains jurisdiction if necessary to reach settlement on the case. If the suspension period is not otherwise extended by the Company, the City must take final action on CoServ’s request to increase rates by January 23, 2021.

Section II. This provision authorizes the City to participate in a coalition of cities served by CoServ in order to more efficiently represent the interests of the City and their citizens.

Section III. This section authorizes the hiring of attorney Thomas Brocato and the law firm of Lloyd Gosselink to represent the City in the matters related to CoServ’s application to increase its rates.

Section IV. This section authorizes the City’s intervention in CoServ’s application for approval to increase its rates before the Railroad Commission in Docket No. OS-20-00005136.

Section V. The Company will reimburse the cities for their reasonable rate case expenses. Legal counsel and consultants approved by the coalition of cities will submit monthly invoices that will be forwarded to CoServ for reimbursement. No individual city incurs liability for payment of rate case expenses by adopting a suspension resolution.

Section VI. 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 VII. This section provides that both CoServ’s counsel and counsel for the cities will be notified of the City’s action by sending a copy of the approved and signed resolution to certain designated individuals.