

Date: May 24, 2021

To: Plano City Council

From: Brandi Youngkin, Director of Policy & Government Relations

Subject: Ordinance for CoServ Gas Rate Settlement

Summary On or about November 13, 2020, CoServ Gas, Ltd. (“CoServ” or “Company”) filed to increase rates in all cities with exclusive original jurisdiction over the rates, operations, and services within its service area. In its application, CoServ sought to increase base rates by 11.8% for its entire service area.

The City, pursuant to § 104.102 of the Gas Utility Regulatory Act (“GURA”), has exclusive original jurisdiction over the gas rates charged by the Company. Although, CoServ proposed an original effective date of January 23, 2021, the Company agreed to extend the proposed effective date to March 14, 2021, with a statutory deadline of August 10, 2021. The City suspended the effective date for 90 days, giving the City until June 12, 2021 to evaluate the application and take final action. The City joined with the other cities (collectively the “CoServ Gas Cities”) to conduct a review of the Company’s application by hiring and directing legal counsel and consultants to prepare a common response and negotiate with the Company.

On or about May 14, 2021, a Settlement Agreement was reached between the CoServ Gas Cities and the Company. The Settlement Agreement reduces the Company’s requested rate increase of \$11.5 million down to \$6.25 million representing a 45.6% reduction to the Company’s request. Additionally, the Settlement Agreement provides for a 9.5% return on equity rather than the Company’s requested 11.5% return on equity. Finally, the Settlement Agreement provides for a customer charge of \$15, compared to the Company’s original \$18.50 request. The commercial and public authority customer charge will be \$35, versus the Company’s original \$43.50 request. The Company has agreed to 100% recovery of City’s rate case expenses.

The purpose of the ordinance is to approve the Settlement Agreement and direct the Company to implement the rates in the Settlement Agreement. Additionally, pursuant to GURA § 103.022, cities are entitled to reimbursement of the expenses associated with the rate case to the extent the expenses are reasonable.

The City Staff recommends adoption of the Ordinance approving the Settlement Agreement, setting rates at the level indicated in the Settlement Agreement, and directing the Company to reimburse the City’s reasonable rate case expenses.

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 Ordained” Sections

Section I. This section approves the Settlement Agreement reached between the CoServ Gas Cities and sets rates at the levels indicated in the Settlement Agreement.

Section II. This section directs the Company to reimburse the City’s reasonable rate case expenses.

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

Section IV. This section provides that the Company and counsel for the city group will be notified of the City’s action by sending a copy of the approved and signed Ordinance to the Company and to counsel for the city group.