



20-1124

TITLE: Consider/Discuss/Act on a Resolution of the City Council of the City of McKinney, Texas Suspending the January 23, 2021 Effective Date of CoServ Gas, Ltd.'s Requested Increase to Permit the City Time to Study the Request and to Establish Reasonable Rates; Approving Cooperation with Other Cities in the CoServ Gas, Ltd. Service Area; Hiring Legal and Consulting Services to Negotiate with the Company and Direct Any Necessary Litigation and Appeals; Authorizing Intervention in Docket OS-20-00005136 at the Railroad Commission; Requiring Reimbursement of Cities' Rate Case Expenses; 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 Legal Counsel

COUNCIL GOAL: Fiscally Sound Government

MEETING DATE: December 15, 2020

DEPARTMENT: City Manager's Office

CONTACT: Trevor Minyard, Strategic Services Manager

RECOMMENDED CITY COUNCIL ACTION:

- Approval of the Resolution

ITEM SUMMARY:

- CoServ is seeking to increase its gas rates on a system-wide basis by \$9.6 million per year, and by \$8,113,409 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 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 INFORMATION:

- 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.

FINANCIAL SUMMARY:

- 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.

BOARD OR COMMISSION RECOMMENDATION:

- N/A

SUPPORTING MATERIALS:

[Resolution](#)