



21-0477

TITLE: Consider/Discuss/Act on a Resolution of the City Council of the City of McKinney, Texas Denying CoServ Gas, LTD.'s Requested Rate Increase; Requiring the Company to Reimburse City's Reasonable Ratemaking 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 & Operational Excellence

MEETING DATE: June 1st, 2021

DEPARTMENT: City Manager's Office

CONTACT: Trevor Minyard, Strategic Services Manager

RECOMMENDED CITY COUNCIL ACTION:

- Approval of the Resolution

ITEM 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 March 14, 2021.
- In a prior City action, CoServ's rate request was suspended from taking effect for 90 days, the fullest extend permissible under the law. This time period has permitted the City, through its participation in the Steering Committee of Cities Served by CoServ, Ltd. ("CoServ Gas Cities"), to determine that the proposed rate increase and consolidation are unreasonable. Consistent with the recommendations of experts engaged by CoServ Gas Cities, CoServ's request for a rate increase and consolidation of service areas should be denied.
- Accordingly, the purpose of this Resolution is to deny the rate change application proposed by CoServ.

BACKGROUND INFORMATION:

- A settlement has been reached, but not yet finalized and filed. The key terms of the settlement include: (1) a rate increase of \$6.25 million, down from the Company's updated request of \$11.5 million; (2) \$10.3 million of excess deferred income tax refunded to customers over 38 years; (3) 9.5% Return on Equity, compared to the Company's requested 11.5% Return on Equity; (4) residential customer charge of \$15, compared to the Company's original \$18.50 request; (5) and 100% recovery of City's rate case expenses.
- In the interest of time, however, we are asking that you adopt a denial resolution per the guidance below. If time permits, we will substitute resolutions which adopt the settlement.

FINANCIAL SUMMARY:

- The Company will reimburse the cities for their reasonable rate case expenses. CoServ customers in McKinney may see increased rates based on the terms of the utility-wide settlement.

BOARD OR COMMISSION RECOMMENDATION:

- N/A

SUPPORTING MATERIALS:

[Resolution](#)