



City of Austin

Recommendation for Action

File #: 25-2175, **Agenda Item #:** 34.

11/6/2025

Posting Language

Conduct a public hearing and consider an ordinance relating to the Statement of Intent to Increase Gas Rates proposed by Texas Gas Service; authorizing the City's ongoing participation as a member city of Cities Served by Texas Gas Service Company in the proceedings before the Railroad Commission of Texas related to the proposed rate increase; authorizing engagement with counsel and consultants for Texas Gas Service Cities, including authorizing settlement of the rate case; requiring reimbursement by Texas Gas Service of rate case expenses; and providing notice of the ordinance to Texas Gas Service. Funding: This item has no fiscal impact.

Lead Department

Financial Services

Fiscal Note

This item has no fiscal impact.

Prior Council Action:

July 24, 2025 - Council approved an Ordinance suspending the Texas Gas Service rate increase for 90 days, authorizing staff to join a coalition of cities and participate in ongoing, related proceedings before the Railroad Commission of Texas.

Additional Backup Information:

On June 30, 2025, Texas Gas Service Company, a division of ONE Gas, Inc. (TGS), filed a rate application to change gas utility rates within the City of Austin and other cities in the Central-Gulf Service Area (CGSA), the West North Service Area (WNSA), and the Rio Grande Valley Service Area (RGVSA). Cities in the CGSA include Austin, Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Rollingwood, Shiner, Sunset Valley, Nixon, West Lake Hills and Yoakum, Bayou Vista, Galveston, Groves, Jamaica Beach, Nederland, Port Arthur, Port Neches, and Beaumont. Simultaneously with this city-level filing, TGS also filed with the Railroad Commission of Texas (Case Number OS-25-0002802) for the unincorporated areas and for those cities that have relinquished their jurisdiction to the RRC of the CGSA, WNSA, and RGVSA.

Under the application, TGS is seeking to increase system-wide distribution rates by \$41.1 million annually, an increase of 7.07% including gas costs, or 9.83% excluding gas costs. TGS is also seeking to consolidate its service areas into a single statewide jurisdiction. The proposed rates for all customers are based on the systemwide cost of providing service to customers throughout the entirety of Texas. TGS has approximately 706,000 customers in Texas, with 230,235 within the City.

The estimated change in rates would result in an average monthly bill of \$48.82, including the cost of gas, for small residential customers and an average monthly bill of \$74.30, including the cost of gas, for large residential customers. For customers in the CGSA, including ratepayers within the City, this change would translate to an increase of \$3.94 per month for small residential customers and a decrease of \$2.99 per month for large residential customers. Additionally, the estimated change in rates would result in an average monthly bill of \$114.67, including the cost of gas, for small commercial class customers and an average monthly bill of

\$676.72, including the cost of gas, for large commercial customers. For customers in the CGSA, including ratepayers within the City, this rate change would translate to an increase of \$7.11 per month for small commercial customers and a decrease of \$63.01 for large commercial customers.

TGS is also requesting an expansion to its contribution to the Share the Warmth program (Program). Currently, TGS matches customer contributions to the Program, resulting in TGS contributions totaling \$200,000 in 2024. These contributions were not recovered from customers, and TGS is now proposing to increase its contribution to \$2 million per year statewide and recover that amount from customers in base rates.

Additionally, TGS requests the creation of a Customer Assistance Residential Rate Schedule Pilot Program for qualifying customers. The Pilot Program would allow up to 30,000 active, qualifying customers to receive service at a reduced customer charge and volumetric rate on a first-come, first served basis across the state. The reduction would be approximately 25 percent less than TGS's proposed rates. In total, TGS plans to recover \$507,000 from base rates for the administration of the Pilot Program.

Staff Recommendation

TGS Cities engaged the services of consultants to review TGS' filing. The consultants identified numerous unreasonable expenses and proposed significant reductions to TGS' request. Staff recommends approval of the draft ordinance denying the rate increase. If Council denies the rate increase, TGS will have 30 days to appeal the decision to the Railroad Commission where the appeal will be consolidated with TGS' ongoing case on the filing for the areas outside a municipality and those cities that have relinquished their jurisdiction (RRC Case Number OS-25-0002802).