



City of Austin

Recommendation for Action

File #: 25-1260, **Agenda Item #:** 27.

7/24/2025

Posting Language

Approve an ordinance suspending a rate increase proposed by Texas Gas Service for natural gas services; requiring reimbursement of municipal rate case expenses; providing notice to Texas Gas Service; and approving the City's membership in a coalition, including participation in proceedings related to the proposed rate increase at the Railroad Commission of Texas Funding: This item has no fiscal impact.

Lead Department

Financial Services Department.

Fiscal Note

This item has no fiscal impact.

For More Information:

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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 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.

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, 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, 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 and recover that amount from customers in base rates.

Additionally, TGS requests the creation of a Customer Assistance Residential Rate Schedule Pilot Program (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. 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.

TGS has approximately 706,000 customers in Texas, with 230,235 within the City. Staff recommends a 90-day suspension of the rate increase, the maximum amount of time permitted by law. This suspension will allow staff to work with a coalition of cities who are served by TGS and the coalition's legal counsel, who will hire outside rate experts and consultants to study and investigate the proposed rate increase, determine further strategies - including potential settlement - and represent the City in matters related to TGS's application to increase its rates, including proceedings before the Railroad Commission of Texas.