



## MEMORANDUM

**TO:** Mayor and City Council

**THROUGH:** Ed Van Eenoo, City Financial Officer

**FROM:** Marija Norton, City Controller, Financial Services Department

**DATE:** July 22, 2024

**SUBJECT:** Texas Gas Service Rate Case - July 24 City Council Agenda Item 27

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The purpose of this memorandum is to provide additional information regarding [Item 27 on the July 24, 2025 agenda](#) requesting City Council adoption of an ordinance to suspend a rate increase proposed by Texas Gas Service (TGS) and allow more time for consideration.

### Background

Texas Gas Service (TGS) filed a Statement of Intent to Change Gas Utility Rates for its Central-Gulf Service Area (CGSA), which includes the City of Austin, as well as the West North Service Area (WNSA), and the Rio Grande Valley Service Area (RGVSA), with an effective date of August 19, 2025. Item 27 requests City Council consideration of a draft ordinance that would suspend the rate increase proposed by Texas Gas Service (TGS) for 90 days, as allowed by State law, to provide additional time to consider matters related to this rate case. If the ordinance is not approved, then the TGS rates would go into effect for City of Austin customers on August 19, 2025.

As of May 2025, TGS has 219,806 residential customers, 9,971 commercial customers, 7 industrial customers, and 341 public authority customers in the City of Austin.

### Rate Case Details

TGS' Statement of Intent proposes to consolidate TGS' service areas into a single statewide jurisdiction. As part of the filing, TGS is seeking to increase system-wide distribution rates by \$41.1 million annually, which is an increase of 7.1% including gas costs, or 9.8% excluding gas costs.

Under the proposed rates, the average monthly bill (including gas costs) would be \$48.82 per month for small residential customers and \$74.30 for large residential customers. For CGSA, this change would result in an increase of \$3.94 per month for small residential customers and a decrease of \$2.99 for large residential customers. For commercial customers, the average monthly bill would be \$114.67 for small commercial customers and \$676.72 for large commercial customers. In CGSA, small commercial customers would see an increase of \$7.11 per month, while large commercial customers would see a decrease of \$63.01.

TGS is also proposing to expand its contributions to the Share the Warmth program, which provides utility bill assistance to low-income customers. In 2024, TGS contributed \$200,000 and did not recover these costs from ratepayers. TGS now proposes to contribute \$2 million, to be recovered through base rates.

Additionally, TGS is requesting approval to implement a Customer Assistance Residential Rate Schedule Pilot Program for up to 30,000 qualifying customers. The program would offer a reduced customer charge and volumetric rate—approximately 25% lower than TGS's proposed standard rates—on a first-come, first-served basis. TGS plans to recover \$507,000 from base rates to fund the administration of this pilot program.

TGS' last rate case was settled in November 2024 at a consolidated proceeding at the Railroad Commission of Texas (RRC). Following the conclusion of its 2024 rate case, TGS raised its rates through a Gas Reliability Infrastructure Program filing, which is an annual interim rates adjustment.

At the same time TGS filed the rate case with the City of Austin, TGS also filed substantially the same proposal with the RRC to increase rates across its service territory for the areas *outside* the original jurisdiction of a municipality. The outside-city customers' rate case will be consolidated with the municipal rate cases once TGS appeals the municipal rate decisions to the RRC. *Without early intervention in the proceedings at the RRC, it is possible that the RRC would make a decision on the merits of TGS' outside-city customers request before the City completes its review and makes its decision on the same proposal, thus removing the City's ability to influence the outcome at the RRC.*

### **Coalition of Cities Within the TGS Service Territory**

A coalition of cities was organized by several municipalities served by TGS in the CGSA. Thomas Brocato, with the law firm of Lloyd Gosselink Rochelle & Townsend, P.C., previously represented the CGSA coalition, including the City of Austin, in rate cases involving TGS and is representing the coalition in this matter. The CGSA coalition has been granted intervenor status in TGS' pending rate case at the RRC; thus, the City's continued participation with the coalition in a consolidated rate case is the most efficient and effective path forward. Doing so ensures that TGS will appeal the City's decision to the RRC on a more expedited time frame, thus assuring CGSA's right to intervene in the proceedings at the RRC.

### **Additional TGS Background**

The TGS' franchise agreement runs from October 2006 to October 2026. City staff have initiated negotiations for a new gas franchise agreement by engaging key departments to gather input on current franchise-related issues and operational needs. Outside counsel has also been retained to provide legal support throughout the negotiation process. In preparation for these discussions, staff has requested that the Resource Management Commission (RMC) identify and submit their priorities related to both the ongoing franchise negotiations and future rate case negotiations to City Council for approval no later than January 2026. This will help ensure that RMC's input can be considered as part of the current negotiations with Texas Gas Service.

### **Staff Recommendation**

At the July 24 City Council meeting, adopt the [draft ordinance](#) which would:

- Suspend the rate increase so that the rate request may be efficiently consolidated with the other cities that are part of the CGSA coalition and with the ongoing outside-city case at the RRC;

- Authorize the City to join CGSA coalition of cities, as represented by Lloyd Gosselink Rochelle & Townsend, P.C., to represent the City's interest in matters related to TGS' rate case and intervene in the proceedings before the RRC related to TGS' rates for its Central-Gulf Service Area, and related court appeals, if any; and
- Direct TGS to reimburse all rate case expenses incurred by the City in relation to the case before the RRC.

If the City Council does not act by August 19, 2025, TGS' proposed rates will be deemed approved by operation of law.

Should you have any questions or concerns, please contact Marija Norton, City Controller with the Financial Services Department at [Marija.Norton@austintexas.gov](mailto:Marija.Norton@austintexas.gov).

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