

ORDINANCE NO. 2017-08

AN ORDINANCE ADOPTING UNANIMOUS SETTLEMENT AGREEMENT, SETTING RATES AND ESTABLISHING TARIFFS FOR THE PROVISION OF NATURAL GAS SERVICE BY TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC., WITHIN THE CITY OF PENITAS; DECLARING THIS ORDINANCE TO BE A FINAL DETERMINATION OF RATES; REQUIRING ACCEPTANCE BY TEXAS GAS SERVICE COMPANY OF THE RATES PRESCRIBED HEREIN; AND ESTABLISHING AN EFFECTIVE DATE.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF PENITAS:

PART 1. The Council finds:

- (A) On June 15, 2017, Texas Gas Service Company ("TGS" or "Company") filed with the City of PENITAS ("City") and the other affected Rio Grande Valley Service Area municipalities its Statement of Intent to increase its annual revenue by \$5.17 million within its Rio Grande Valley Service Area ("RGVSA").
- (B) In accordance with the Gas Utility Regulatory Act, Utilities Code, §104.107, the City suspended the TGS' proposed effective date of July 20, 2017, for a period not to exceed 90 days from TGS' proposed effective date, to October 18, 2017.
- (C) TGS provided public notice of its proposed increase in rates in accordance with the Gas Utility Regulatory Act.
- (D) A base rate revenue increase in the amount of \$4.1 million per annum is reasonable and consistent with the requirements of the Gas Utility Regulatory Act, will permit TGS a reasonable opportunity to earn a reasonable return on its invested capital, and will yield a fair return upon the adjusted value of TGS' property used and useful in rendering service to the public.
- (E) TGS and the City agree to implement the Company's Pipeline Integrity Testing Rider, including provisions that require TGS to file its annual reconciliation report on or before February 1 and allows for a 60-day review period.
- (F) TGS and the City agree to continue the Energy Efficiency Program reflected in Rate Schedule EEP and Rate Schedule IEE within the City.
- (G) The tariffs and specific rates and charges, and customer service rules appended to this ordinance are reasonable and in the public interest.

- (H) The costs of the City's rate consultants, attorneys, and technical staff to conduct investigations, present evidence, advise and represent the City in these rate-making proceedings as set out in the settlement agreement are reasonable and necessary expenses, as are the rate case expenses incurred by TGS in this proceeding.

PART 2. The City is the regulatory body with exclusive original jurisdiction over the rates, operations, and services of Texas Gas Service Company, a division of ONE Gas, Inc., within the municipality.

PART 3. The Unanimous Settlement Agreement ("Settlement Agreement") entered into between TGS and the City and appended to this ordinance as "Attachment 1" is in the public interest and is adopted by this ordinance.

PART 4. An increase in the amount of \$4.1 million in TGS' annual base-rate revenue, as determined on a systemwide basis for the RGVSA, is approved within the City.

PART 5. Except to the extent approved in this ordinance and the settlement agreement appended to this ordinance as "Attachment 1", the City denies TGS' request for rates, tariffs, and charges as proposed in TGS' Statement of Intent and rate increase request filed with the City on or about June 15, 2017.

PART 6. The rates, tariffs, charges, schedules, and service rules appended to this ordinance as "Attachment 2" for natural gas service provided by TGS within the City, are reasonable and are hereby approved.

PART 7. The proposed depreciation and amortization rates set forth on the Depreciation and Amortization Expense summary appended to this ordinance as "Attachment 2" are reasonable and hereby approved by this ordinance.

PART 8. The costs of rate consultants, attorneys, and technical staff to conduct investigations, present evidence, advise, and represent the City in these rate-making proceedings shall be reimbursed to the City by TGS no later than 30 days after the effective date of this ordinance.

PART 9. Nothing in this ordinance shall be construed as limiting or modifying in any manner the right and power of the City under the law to regulate the rates and charges of TGS Company.

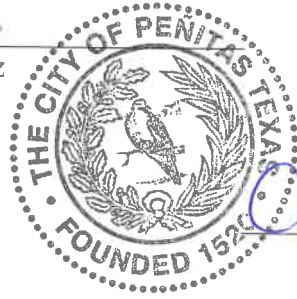
PART 10. This ordinance takes effect on October 18, 2017. Should the City not approve this Ordinance in time for TGS to implement rates for meters read on or after October 18, 2017, TGS's rates as agreed herein, will be established as temporary rates for service on and after that date until such time as the City takes final action to approve this Ordinance no later than October 27, 2017.

The City Charter requirement that all ordinances be read, considered, and approved on three separate readings is hereby waived by a majority vote of the City Council as allowed by City Charter Section 2.13(b).

READ, PASSED, AND APPROVED BY THE CITY COUNCIL OF THE CITY OF PENITAS, HIDALGO COUNTY, TEXAS ON THIS THE 24th DAY OF OCTOBER 2017 AT A SPECIAL CALLED MEETING AT WHICH A QUORUM WAS PRESENT.



Mayor Rodrigo "Rigo" Lopez





City Secretary Ana
Valdez