



# ORDINANCES & RESOLUTIONS

## ORDINANCE NO. 2133

**ADOPTING THE UNANIMOUS SETTLEMENT  
AGREEMENT SETTING RATES  
AND**

**ESTABLISHING TARIFFS**

*Eugenia A. Cano*

*First City Attorney*

**and**

*Thomas Brocato, Lloyd Gosselink Rochelle & Townsend*

# **Ordinance No. 2133**

## **Adopting Settlement Agreement and Setting Rates**

**Eugenia Cano**

**First Assistant City Attorney**

**Thomas Brocato**

**Lloyd Gosselink Rochelle & Townsend**

**May 15, 2018**

# Background

- **SiEnergy, LP filed statement of intent to increase rates with City on January 5, 2018**
- **Environs case filed with RR Commission on January 5, 2018**
- **Proposed increase is system-wide—meaning that it affects all of SiEnergy's customers within and outside cities that it serves**
- **Proposed gas utility rate increase of \$2.267 million annually of system-wide revenue deficiency**
- **Stated system-wide revenue requirement of \$9.5 million annually**

## Background (Continued)

- Gas utility services provided in Riverstone and Imperial redevelopment areas of City
- 234 customers (233 residential/1 commercial) as of date of filing
- Sought increase of \$10.53 per month to average residential bill including cost of gas (\$44.99 to \$55.51)
- Sought increase of \$59.75 per month to average commercial bill including cost of gas (\$213.26 to \$273.01)
- Council suspended rates for 90 days after proposed effective date (until May 10, 2018) to allow for review and discussions

# Why Rate Increase Needed

- **SiEnergy is a growing company with the need for additional funds for its capital investment to provided services**
- **Weather impacts have contributed to revenue deficiency**
- **SiEnergy has not filed to increase its rates in approximately 10 years**

# The Settlement Agreement

- A unanimous settlement was reached with SiEnergy
- The Settlement agreement was filed with the RR Commission on April 27, 2018 as to environs proceeding
- GCCC has intervened and participated in the environs proceeding
- SiEnergy extended the proposed effective date to allow cities to act beyond May 10, 2018

# Basic Terms of Settlement Agreement

- Rates will be system-wide
- Annual revenue requirement of \$8.25 million annually vs. \$9.5 million annually (Lower corporate tax rate of 21% vs. 35% caused revenue requirement to be reduced to \$8,743,970. Negotiated additional annual reduction of \$493,970)



# Basic Terms of Settlement Agreement

**Average monthly bill, including cost of gas for a:**

- **Residential customer, increasing from \$44.99 to \$53.23 (vs. \$55.51) (an \$8.24 monthly increase); and**
- **Small general service customer, increasing from \$213.26 to \$261.10 (vs. \$273.01) (a \$47.84 monthly increase)**
- **Classification for commercial removed with new small general service customer classification for commercial, industrial, government, and schools**

# Basic Terms of Settlement

- **No GRIP (Gas Reliability Infrastructure Program) filings, which would allow interim rate adjustments to invested capital, before next comprehensive rate case**
- **Reimbursement of GCCC's legal and consulting fees in the amount of \$52,000**
- **Recovery of SiEnergy's legal and consulting expenses in the amount \$250,618.74**

# Basic Terms of Settlement

- **Total legal and consulting expenses of GCCC and SiEnergy recoverable system wide over three years until paid in full at volumetric amount of \$0.1119 per Ccf**
- **Rates to be effective on July 1, 2018**

# Staff Recommendation

***Approval of ORDINANCE NO. 2133 ADOPTING THE UNANIMOUS SETTLEMENT AGREEMENT SETTING RATES AND ESTABLISHING TARIFFS FOR THE PROVISION OF NATURAL GAS SERVICE BY SIENERGY, LP WITHIN THE CITY OF SUGAR LAND, TEXAS; AND DECLARING THIS ORDINANCE TO BE A FINAL DETERMINATION OF RATES***

**Questions?**