

**ORDINANCE NO. \_\_\_\_\_**

**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 AUSTIN; 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 AUSTIN:**

**PART 1.** The Council finds:

- (A) On June 20, 2016, Texas Gas Service Company ("TGS" or "Company") filed with the City of Austin ("City") and the other affected Central-Texas municipalities its Statement of Intent to increase its annual revenue by \$11.6 million within its Central Texas Service Area ("CTSA") and South Texas Service Area ("STSA"), and certain unincorporated areas in central Texas.
- (B) TGS proposed to consolidate the incorporated areas of the CTSA and incorporated and unincorporated areas of the STSA into a new, single service area known as the consolidated Central Texas Service Area ("CTCSA").
- (C) In accordance with the Gas Utility Regulatory Act, Utilities Code, §104.107, the City suspended the TGS' proposed effective date of August 12, 2016, for a period not to exceed 90 days from TGS' proposed effective date, to November 10, 2016.
- (D) TGS provided public notice of its proposed increase in rates in accordance with the Gas Utility Regulatory Act.
- (E) A base rate revenue increase in the amount of \$6.8 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.

- (F) The Company's request to consolidate the incorporated and unincorporated areas of the STSA and the incorporated and unincorporated areas of the CTSA to create a new, single consolidated Central Texas Service Area is reasonable and should be approved.
- (G) TGS and the City agree to continue its Conservation Program implement the requested Rate Schedule Conservation Adjustment Clause within the City.
- (H) The tariffs and specific rates and charges, and customer service rules appended to this ordinance are reasonable and in the public interest.
- (I) 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 \$6.8 million in TGS' annual base-rate revenue, as determined on a systemwide basis for the CTCSA, 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 20, 2016.

**PART 7.** The proposed depreciation and amortization rates set forth on the Depreciation and Amortization Expense summary appended to this ordinance as “Attachment 3” are reasonable and hereby approved by 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.

**PASSED AND APPROVED**

**APPROVED:** \_\_\_\_\_  
Anne L. Morgan  
City Attorney

**ATTEST:** \_\_\_\_\_  
Jannette S. Goodall  
City Clerk