

MODEL STAFF REPORT REGARDING TGS'S REQUESTED RATE CHANGE

OVERVIEW:

On June 30, 2025, Texas Gas Service Company ("TGS" or "Company") a Division of ONE Gas, Inc. ("ONE Gas"), pursuant to Subchapter C of Chapter 104 of the Gas Utility Regulatory Act, filed its Statement of Intent to change gas rates at the Railroad Commission of Texas ("RRC") and in all municipalities exercising original jurisdiction within the incorporated areas of the Central-Gulf, West North, and Rio Grande Valley Service Areas, effective August 19, 2025.

TGS is seeking to increase its revenues by \$41.1 million, which is an increase of 7.07% including gas costs, or 9.83% excluding gas costs. TGS is also seeking to consolidate all service areas into a single statewide jurisdiction served by TGS. The Company's proposed rates for all of its customers are based on the systemwide cost of providing service to customers throughout the entirety of Texas. TGS is also requesting: (1) approval of new depreciation rates for direct and division distribution and general plan within its service areas; (2) a finding that the expenses for COVID-19 that are contained in regulatory assets authorized by the Commission are reasonable, necessary, and accurate; (3) a prudence determination for capital investment made in Texas through December 31, 2024; (4) approval of the form of notice for the proposed Rate Schedule Pipeline Integrity Testing ("PIT"); and (5) approval to recover the reasonable rate case expenses associated with this filing through a surcharge on rates.

Since TGS is requesting consolidation of all its service areas, the Company will need to withdraw its existing tariffs to reflect the new TGS rates and/or related changes necessary to reflect consolidation. The Company's new proposed tariff includes: (1) a new Customer Assistance rate design and related scheduled; (2) revisions to the Rules of Service and T-Terms to include new definitions; (3) revisions to the Cost of Gas clause for consistency with all Company areas of service; and (4) combining the Commercial, Industrial, Public Authority and Compressed Natural Gas rate on the Transportation Schedule into one Transportation rate and adding a new Electric Generation rate design and rate schedule.

The resolution suspends the August 19, 2025 effective date of the Company's rate increase for the maximum period permitted by law to allow the City, working in conjunction with other similarly situated cities with original jurisdiction served by TGS, to evaluate the filing, to determine whether the filing complies with the law, and if lawful, to determine what further strategy, including settlement, to pursue.

The law provides that the Company's rate request cannot become effective until at least 35 days following the filing of the application. The law permits the City to suspend the rate change for 90 days after the date the rate change would otherwise be effective. **If the City fails to take some action regarding the filing before the effective date, TGS's rate request is deemed approved.**

Explanation of “Be It Resolved” Sections:

Section 1. The City is authorized to suspend the rate change for 90 days after the date that the rate change would otherwise be effective for any legitimate purpose. Time to study and investigate the application is always a legitimate purpose. Please note that the resolution refers to the suspension period as “the maximum period allowed by law” rather than ending by a specific date. This is because the Company controls the effective date and can extend the deadline for final city action to increase the time that the City retains jurisdiction if necessary to reach settlement on the case. If the suspension period is not otherwise extended by the Company, the City must take final action on TGS’s request to increase rates by August 19, 2025.

Section 2. This provision authorizes the City to participate in a coalition of cities served by TGS in order to more efficiently represent the interests of the City and their citizens.

Section 3. This section authorizes the hiring of Lloyd Gosselink Rochelle & Townsend, P.C. to represent the City in matters related to TGS’s application to increase its rates.

Section 4. This section authorizes the City’s intervention in TGS’s application for approval to increase its rates before the Railroad Commission.

Section 5. This section requires the Company to reimburse the cities for their reasonable rate case expenses. Legal counsel and consultants approved by the coalition of cities will submit monthly invoices that will be forwarded to TGS for reimbursement. No individual city incurs liability for payment of rate case expenses by adopting a suspension resolution.

Section 6. This section merely recites that the resolution was passed at a meeting that was open to the public and that the consideration of the Resolution was properly noticed.

Section 7. This section provides that the City will provide a copy of the approved and signed resolution to representatives for TGS and the coalition of cities.