



3301 CARMEN AVE, 78575

Phone 956-350-4093

Fax 956-350-4156

# BOARD OF ALDERMEN

## REGULAR MEETING

### JULY 15, 2014




NOTICE OF A PUBLIC MEETING  
TOWN OF RANCHO VIEJO  
BOARD OF ALDERMEN  
REGULAR MEETING

JULY 15, 2014  
6:00 P.M.

NOTICE is hereby given of a REGULAR MEETING of the BOARD OF ALDERMEN of the TOWN OF RANCHO VIEJO, TEXAS, to be held on JULY 15, 2014 at 6:00 P.M., in the TOWN MUNICIPAL OFFICE, 3301 CARMEN AVENUE, RANCHO VIEJO, TEXAS to consider the following items:

1. Call to Order
2. Roll Call
3. Invocation and Pledge
4. Public Comment
5. Approval of Minutes - Regular Meeting June 10, 2014, Special Meeting June 24, 2014
6. Consideration/Action of Resolution Extending the Provisions of Section 33.07 of the Property Tax Code which enables the Governing Body to assess an Additional Collection Penalty
7. Consideration/Action to Designate an Auditor for September 30, 2014
8. Report from Street Committee
9. Report from Beautification Committee
10. Consideration/Action on an ORDINANCE OF THE BOARD OF ALDERMEN OF THE TOWN OF RANCHO VIEJO, TEXAS, ("TOWN") APPROVING A NEGOTIATED RESOLUTION BETWEEN THE TOWN AND TEXAS GAS SERVICE ("TGS" OR "THE COMPANY") REGARDING THE COMPANY'S MAY 1, 2014 COST OF SERVICE ADJUSTMENT ("COSA") FILING; GRANTING THE COMPANY'S REQUEST FOR A GOOD CAUSE WAIVER OF LANGUAGE IN SECTION C.5 OF THE COSA CLAUSE; DECLARING EXISTING RATES TO BE UNREASONABLE; APPROVING ATTACHED TARIFFS THAT REFLECT RATE ADJUSTMENTS CONSISTENT WITH THE NEGOTIATED SETTLEMENT AND FINDING THE RATES TO BE SET BY THE ATTACHED TARIFFS TO BE JUST AND REASONABLE; PROVIDING FOR THE RECOVERY OF THE TOWN'S AND TGS' REASONABLE AND NECESSARY RATE CASE EXPENSES; ADOPTING A SAVINGS CLAUSE; DETERMINING THAT THIS ORDINANCE WAS PASSED IN ACCORDANCE WITH THE REQUIREMENTS OF THE TEXAS OPEN MEETINGS ACT; DECLARING AN EFFECTIVE DATE; REPEALING ANY PRIOR ORDINANCES INCONSISTENT WITH THIS ORDINANCE AND REQUIRING DELIVERY OF THIS ORDINANCE TO THE COMPANY'S AND THE CITY'S LEGAL COUNSEL
11. Public Comment
12. Adjourn

  
Fred Blanco  
Town Administrator

# #1 Call to Order

by Mayor Hager

# #2 Roll Call

by Isabel Perales

Aldерwoman Carr

Aldерwoman Guerrero

Aldерwoman Rathbun

Aldерwoman Truan

Alderman Vera

Legal Counsel, Daniel Rentfro, Jr.

Town Administrator, Fred Blanco.

# #3 Invocation and Pledge

The pledge of allegiance to the United States Flag:

*“I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.”*

**And** the pledge of allegiance to the Texas State Flag is,

*“Honor the Texas Flag; I pledge allegiance to thee, Texas, one state under God, one and indivisible.”*

# #4 Public Comment

#5 Approval of Minutes -  
Regular Meeting June 10, 2014  
Special Meeting June 24, 2014

MINUTES OF A REGULAR MEETING  
TOWN OF RANCHO VIEJO  
JUNE 10, 2014

A Regular Meeting of the Board of Aldermen of the Town of Rancho Viejo, Texas was held on June 10, 2014, at the Town Municipal Office, 3301 Carmen Avenue, Rancho Viejo, Texas, the same being open to the public. The meeting was called to order by Mayor Jean Hager at 6:00 P.M. Roll call was made by Isabel Perales, Assistant Town Secretary. Members present at the meeting were:

Mrs. Lupita Carr  
Mrs. Maribel Guerrero  
Mrs. Cyndie Rathbun  
Mrs. Bitty Truan  
Mr. Javier Vera

A quorum was present at the meeting.

Also present at the meeting was Legal Counsel, Daniel Rentfro, Jr.

Those present in the audience were:

Myra Millsapps  
Richard P. Lewis  
Chief M. Cruz, Jr.  
Fred Blanco

INVOCATION AND PLEDGE:

Alderwoman Carr led the group in the invocation and pledge of allegiance to the American and Texas flags.

PUBLIC COMMENT:

Mayor Hager introduced Mr. Alfredo "Fred" Blanco as the new Town Administrator. Fred's first day of employment will be June 24, 2014. Police Chief Cruz reviewed the May 2014 Police Report.

Motion was made by Alderwoman Carr, seconded by Alderwoman Guerrero, and unanimously carried, to close the Public Comment.

APPROVAL OF MINUTES - SPECIAL MEETING MAY 14, 2014 6:00 P.M., SPECIAL MEETING MAY 20, 2014 8:30 A.M., REGULAR MEETING MAY 20, 2014 6:00 P.M., SPECIAL MEETING MAY 27, 2014 6:00 P.M., SPECIAL MEETING JUNE 3, 2014 6:00 P.M.:

Motion was made by Alderwoman Guerrero, seconded by Alderwoman Carr, and unanimously carried, that the Minutes of a Special Meeting held on May 14, 2014 6:00 P.M., a Special Meeting held on May 20, 2014 8:30 A.M., a Regular Meeting held on May 20, 2014 6:00 P.M., a Special Meeting held on May 27, 2014 6:00 P.M., and a Special Meeting held on June 3, 2014 6:00 P.M., be approved as written.



CONSIDERATION/APPOINTMENT OF MEMBERS TO THE BEAUTIFICATION COMMITTEE:

On the recommendation of Alderwoman Carr, Chairman to the Beautification Committee, motion was made by Alderman Vera, seconded by Alderwoman Rathbun, and unanimously carried, to appoint Rosie Fruia, Bridget Neubauer, Marie Phillips and Tim Trapp as members to the Beautification Committee. They will be having their first meeting on June 19, 2014 at 6:00 P.M.

CONSIDERATION/APPOINTMENT OF MEMBERS TO THE STRATEGIC PLANNING COMMITTEE:

Motion was made by Alderwoman Carr, seconded by Alderwoman Guerrero, and unanimously carried, to re-appoint Rita Conde, to appoint Myra Millsapps as a new member and to appoint Tim Trapp as an alternate member to the Strategic Planning Committee as per the recommendation of Alderwoman Rathbun, Chairman to the Strategic Planning Committee.

CONSIDERATION/APPOINTMENT OF MEMBERS TO THE STREET COMMITTEE:

On the recommendation of Alderwoman Guerrero, Chairman to the Strategic Planning Committee, motion was made by Alderwoman Rathbun, seconded by Alderwoman Truan, and unanimously carried, to re-appoint Grady Deaton and to appoint Cyndie Rathbun as an alternate member to the Street Committee.

REPORT FROM STREET COMMITTEE:

Alderwoman Guerrero mentioned that the Town had posted a Statement of Qualifications for Town Engineer the deadline for requests is June 11, 2014. Once they receive the S.O.Q.'s they will perform an evaluation.

CONSIDERATION/APPOINTMENT OF ALTERNATE MEMBER TO THE BOARD OF ADJUSTMENTS AND APPEALS:

On the recommendation of Mayor Hager, motion was made by Alderwoman Carr, seconded by Alderwoman Rathbun, and unanimously carried, to appoint Richard Lowry as an alternate member to the Board of Adjustments and Appeals.

CONSIDERATION/AUTHORIZATION TO ADVERTISE FOR BIDS FOR COMMON AREA MAINTENANCE FOR TWO YEARS:

Motion was made by Alderwoman Guerrero, seconded by Alderwoman Rathbun, to authorize the Advertisement for Bids for Common Area Maintenance for Two Years in the San Benito News.

Motion passed with the following vote:

AYES: Alderwoman Carr, Alderwoman Guerrero, Alderwoman Rathbun, Alderman Vera

NAYES: Alderwoman Truan

ABSTAINING: NONE

CONSIDERATION/ACTION ON EXTENSION OF CONTRACT WITH BUILDING INSPECTOR:

Motion was made by Alderwoman Rathbun, seconded by Alderman Vera, and unanimously carried, to extend the contract with Brent Cannon as Building Inspector for one year.

CONSIDERATION/ACTION ON RESOLUTION OF THE TOWN OF RANCHO VIEJO APPROVING COOPERATION WITH THE CITIES SERVED BY AEP TCC TO REVIEW AEP TEXAS CENTRAL COMPANY'S REQUESTED APPROVAL OF AN ADJUSTMENT TO ITS ENERGY EFFICIENCY COST RECOVERY FACTOR; HIRING LEGAL AND CONSULTING SERVICES TO NEGOTIATE WITH THE COMPANY AND DIRECT ANY NECESSARY LITIGATION AND APPEALS; FINDING THAT THE MEETING AT WHICH THIS RESOLUTION IS PASSED IS OPEN TO THE PUBLIC AS REQUIRED BY LAW; REQUIRING NOTICE OF THIS RESOLUTION TO LEGAL COUNSEL:

Motion was made by Alderwoman Guerrero, seconded by Alderman Vera, and unanimously carried, to approve Resolution No. 266 - A RESOLUTION OF THE TOWN OF RANCHO VIEJO APPROVING COOPERATION WITH THE CITIES SERVED BY AEP TCC TO REVIEW AEP TEXAS CENTRAL COMPANY'S REQUESTED APPROVAL OF AN ADJUSTMENT TO ITS ENERGY EFFICIENCY COST RECOVERY FACTOR; HIRING LEGAL AND CONSULTING SERVICES TO NEGOTIATE WITH THE COMPANY AND DIRECT ANY NECESSARY LITIGATION AND APPEALS; FINDING THAT THE MEETING AT WHICH THIS RESOLUTION IS PASSED IS OPEN TO THE PUBLIC AS REQUIRED BY LAW; REQUIRING NOTICE OF THIS RESOLUTION TO LEGAL COUNSEL.

HURRICANE PREPAREDNESS:

Chief Cruz gave us updates on Hurricane Preparedness. The Town will be adding a link on the website at [www.ranchoviejotexas.com](http://www.ranchoviejotexas.com) for more information on Hurricane Preparedness.

PUBLIC COMMENT:

Mr. Richard Lewis announced that there would be an Advocat garage sale on Friday, June 27, 2014 and Saturday, June 28, 2014 at 31 Pizarro.

ADJOURNMENT:

Motion was made by Alderman Vera, seconded by Alderwoman Guerrero, and unanimously carried, to adjourn the meeting at 6:59 P.M.

BY: \_\_\_\_\_  
Isabel Perales, Assistant Town Secretary

APPROVED: \_\_\_\_\_  
Jean Hager, Mayor

DATE: \_\_\_\_\_

MINUTES OF A SPECIAL MEETING  
TOWN OF RANCHO VIEJO  
JUNE 24, 2014

A Special Meeting of the Board of Aldermen of the Town of Rancho Viejo, Texas was held on June 24, 2014, at the Town Municipal Office, 3301 Carmen Avenue, Rancho Viejo, Texas, the same being open to the public. The meeting was called to order by Mayor Jean Hager at 6:05 P.M. Roll call was made by Mayor Jean Hager. Members present at the meeting were:

Mrs. Lupita Carr  
Mrs. Cyndie Rathbun  
Mr. Javier Vera

Members absent:  
Mrs. Maribel Guerrero  
Mrs. Bitty Truan

A quorum was present at the meeting.

Town Administrator, Fred Blanco was also present at the meeting.

Those present in the audience were:

Russ St. Peter

Rusty Rusteberg

WORKSHOP ON PROPOSED BUDGET FOR FISCAL YEAR OCTOBER 1, 2014 TO SEPTEMBER 30, 2015:

The Mayor and the Board of Aldermen went over the Budget and reviewed possible changes to the Budget.

ADJOURN:

The meeting was adjourned at 7:45 P.M.

BY: \_\_\_\_\_  
Fred Blanco, Town Administrator

APPROVED: \_\_\_\_\_  
Jean Hager, Mayor

DATE: \_\_\_\_\_

#6 Consideration/Action of  
Resolution Extending the  
Provisions of Section 33.07 of the  
Property Tax Code which enables  
the Governing Body to assess an  
Additional Collection Penalty

RESOLUTION NO.

A RESOLUTION OF THE BOARD OF ALDERMEN OF THE TOWN OF RANCHO VIEJO, TEXAS, EXTENDING THE PROVISIONS OF SECTION 33.07 OF THE PROPERTY TAX CODE WHICH ENABLES THE GOVERNING BODY TO ASSESS AN ADDITIONAL COLLECTION PENALTY

WHEREAS, the Town of Rancho Viejo, Texas, had adopted the provisions of Section 33.07 of the Property Tax Code; and

WHEREAS, this section of the code permits the governing body to assess an additional fifteen (15) percent collection penalty to defray the costs of collection;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF ALDERMEN OF THE TOWN OF RANCHO VIEJO, TEXAS, that:

SECTION 1. That the provisions of Section 33.07 be adopted and that Ad Valorem taxes remaining unpaid on July 1, 2014, be subject to fifteen (15) percent collection penalty.

SECTION 2. That the governing body of the TOWN OF RANCHO VIEJO complied with Section 6.30 of the Code in that a delinquent tax collection contract is presently in force with the Law Office of Daniel Rentfro Jr. of Brownsville, Texas.

PASSED, ADOPTED AND APPROVED by the Board of Aldermen of the Town of Rancho Viejo, Texas at a Regular Meeting on this the 15<sup>th</sup> day of July, 2014.

Jean Hager, Mayor

ATTEST:

Fred Blanco, Town Secretary

#7 Consideration/Action to  
Designate an Auditor for  
September 30, 2014

Mayor Hager to recommend  
Long Chilton, LLC as auditor.

# #8 Report from Street Committee



Aldерwoman Guerrero will give a report on the Street Committee.

# #9 Report from Beautification Committee

Alderwoman Carr will give a report on the Beautification Committee.

#10 Consideration/Action on an ORDINANCE OF THE BOARD OF ALDERMEN OF THE TOWN OF RANCHO VIEJO, TEXAS, (“TOWN”) APPROVING A NEGOTIATED RESOLUTION BETWEEN THE TOWN AND TEXAS GAS SERVICE (“TGS” OR “THE COMPANY”) REGARDING THE COMPANY’S MAY 1, 2014 COST OF SERVICE ADJUSTMENT (“COSA”) FILING; GRANTING THE COMPANY’S REQUEST FOR A GOOD CAUSE WAIVER OF LANGUAGE IN SECTION C.5 OF THE COSA CLAUSE; DECLARING EXISTING RATES TO BE UNREASONABLE; APPROVING ATTACHED TARIFFS THAT REFLECT RATE ADJUSTMENTS CONSISTENT WITH THE NEGOTIATED SETTLEMENT AND FINDING THE RATES TO BE SET BY THE ATTACHED TARIFFS TO BE JUST AND REASONABLE; PROVIDING FOR THE RECOVERY OF THE TOWN’S AND TGS’ REASONABLE AND NECESSARY RATE CASE EXPENSES; ADOPTING A SAVINGS CLAUSE; DETERMINING THAT THIS ORDINANCE WAS PASSED IN ACCORDANCE WITH THE REQUIREMENTS OF THE TEXAS OPEN MEETINGS ACT; DECLARING AN EFFECTIVE DATE; REPEALING ANY PRIOR ORDINANCES INCONSISTENT WITH THIS ORDINANCE AND REQUIRING DELIVERY OF THIS ORDINANCE TO THE COMPANY’S AND THE CITY’S LEGAL COUNSEL

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

**AN ORDINANCE OF THE BOARD OF ALDERMEN OF THE TOWN OF RANCHO VIEJO, TEXAS, (“TOWN”) APPROVING A NEGOTIATED RESOLUTION BETWEEN THE TOWN AND TEXAS GAS SERVICE (“TGS” OR “THE COMPANY”) REGARDING THE COMPANY’S MAY 1, 2014 COST OF SERVICE ADJUSTMENT (“COSA”) FILING; GRANTING THE COMPANY’S REQUEST FOR A GOOD CAUSE WAIVER OF LANGUAGE IN SECTION C.5 OF THE COSA CLAUSE; DECLARING EXISTING RATES TO BE UNREASONABLE; APPROVING ATTACHED TARIFFS THAT REFLECT RATE ADJUSTMENTS CONSISTENT WITH THE NEGOTIATED SETTLEMENT AND FINDING THE RATES TO BE SET BY THE ATTACHED TARIFFS TO BE JUST AND REASONABLE; PROVIDING FOR THE RECOVERY OF THE TOWN’S AND TGS’ REASONABLE AND NECESSARY RATE CASE EXPENSES; ADOPTING A SAVINGS CLAUSE; DETERMINING THAT THIS ORDINANCE WAS PASSED IN ACCORDANCE WITH THE REQUIREMENTS OF THE TEXAS OPEN MEETINGS ACT; DECLARING AN EFFECTIVE DATE; REPEALING ANY PRIOR ORDINANCES INCONSISTENT WITH THIS ORDINANCE AND REQUIRING DELIVERY OF THIS ORDINANCE TO THE COMPANY’S AND THE CITY’S LEGAL COUNSEL.**

WHEREAS, the Town of Rancho Viejo, Texas (“Town”) is a gas utility customer of Texas Gas Service (“TGS” or “the Company”), and a regulatory authority with an interest in the rates and charges of TGS; and

WHEREAS, pursuant to the terms of the agreement settling TGS’ 2009 Statement of Intent to increase rates, to which Town was a signatory, the Town and other municipalities within the Rio Grande Valley Service Area and TGS worked collaboratively to develop the Cost of Service Adjustment (“COSA”) tariff that allows for an expedited comprehensive rate review process; and

WHEREAS, on or about May 1, 2014, TGS filed with the Town a COSA tariff seeking to increase natural gas rates to all customers residing in the City; and

WHEREAS, TGS requested a good cause waiver to Section C.5 of the COSA clause to recognize a decline in revenue associated with a loss of customers during calendar year 2013; and

WHEREAS, the Company has requested a system wide increase of \$1,216,601; and

WHEREAS, the City coordinated a review of TGS’ COSA filing and designated attorneys and consultants to resolve issues in the Company’s COSA filing; and

WHEREAS, the Company has filed evidence that existing rates are unreasonable and should be changed; and

WHEREAS, independent analysis by the City’s rate expert concluded that TGS is able to justify an increase over current rates; and

WHEREAS, the City’s attorney and consultant recommend that the City approve the Good Cause Waiver, a settlement of \$936,000 on a system wide basis and a modification of cost allocation factors; and

WHEREAS, the attached tariffs implementing new rates are consistent with the negotiated resolution reached by the City and are just, reasonable, and in the public interest; and

WHEREAS, the negotiated resolution of the Company's COSA filing and the resulting rates are, as a whole, in the public interest.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF ALDERMEN OF THE TOWN OF RANCHO VIEJO, TEXAS:

Section 1. That the Board of Aldermen finds that the existing rates for natural gas service provided by TGS are unreasonable and the new tariffs implementing this Ordinance, which are attached hereto and incorporated herein as Attachment A, are just and reasonable and are hereby adopted.

Section 2. That the requested Good Cause Waiver is granted and a rate increase of \$936,000 on a system wide basis along with a modification to cost allocation factors is reasonable.

Section 3. Allocation factors shall be as follows:

Residential 35.04%; Commercial 42.85%; Industrial 6.56%; Public Authority 5.61%; Transport-T1 7.03%; and Transport-T2 2.92%

Section 4. That TGS shall reimburse the reasonable ratemaking expenses of the Town in processing the Company's rate application.

Section 5. That to the extent any resolution or ordinance previously adopted by the Council is inconsistent with this Ordinance, it is hereby repealed.

Section 6. That the meeting at which this Ordinance was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

Section 7. That if any one or more sections or clauses of this Ordinance is adjudged to be unconstitutional or invalid, such judgment shall not affect, impair, or invalidate the remaining provisions of this Ordinance and the remaining provisions of the Ordinance shall be interpreted as if the offending section or clause never existed.

Section 8. That the tariffs attached to this Ordinance shall become effective for meters read on and after July 29, 2014.

Section 9. That a copy of this Ordinance shall be sent to TGS, care of Jose De Alba, Director of Operations, at 5602 East Grimes Road, Harlingen, Texas 78550-1783, and to Geoffrey Gay, Special Counsel to the City, at Lloyd Gosselink Rochelle & Townsend, P.C., P. O. Box 1725, Austin, Texas 78767-1725.

PASSED AND APPROVED this 15<sup>th</sup> day of July 2014.

---

Jean Hager, Mayor

ATTEST:

---

Fred Blanco, Town Secretary

APPROVED AS TO FORM:

---

City Attorney

**RIO GRANDE VALLEY SERVICE AREA COST OF SERVICE ADJUSTMENT  
FILED BY TEXAS GAS SERVICE COMPANY ON MAY 1, 2014**

**SETTLEMENT AGREEMENT**

This Settlement Agreement is entered into by and between Texas Gas Service Company (“TGS” or the “Company”) and the cities of TGS’ Rio Grande Valley Service Area (“RGVSA”), which includes the Cities of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas (collectively, “RGVSA Cities”).

WHEREAS, this Settlement Agreement resolves all issues relating to the Cost of Service Adjustment (“COSA”) filed with the RGVSA Cities on May 1, 2014, in a manner that TGS and the RGVSA Cities (collectively, the “Signatories”) believe is consistent with the public interest, and the Signatories represent diverse interests;

WHEREAS, the Signatories believe that an appeal from municipal action on the filed COSA adjustment would be time-consuming and entail substantial additional expense for all parties and that the public interest will be served by adoption of an ordinance consistent with this Settlement Agreement;

NOW, THEREFORE, in consideration of the mutual agreements and covenants established herein, the Signatories, through their undersigned representatives, agree to and recommend for approval by the RGVSA Cities the following Settlement Terms as a means of fully resolving all issues raised in the May 1, 2014 COSA Adjustment filed by TGS with the RGVSA Cities:

Settlement Terms

1. The Signatories agree to the rates, terms and conditions reflected in the tariffs attached to this Settlement Agreement as Exhibit A. Said tariffs should allow TGS an additional \$936,000 in annual revenue as illustrated in the proof of revenues attached as part of Exhibit B to the Settlement Agreement. The Signatories agree that the \$936,000 revenue increase is a “black box” figure and is not tied to any specific expense in TGS’ underlying cost of service. The Signatories further agree that the rates, terms and conditions reflected in Exhibit A to this Settlement Agreement comply with the rate-setting requirements of Chapter 104 of the Texas Utilities Code. The rates, terms and conditions established by this Settlement Agreement shall take effect with the first billing cycle of August 2014.
2. The Signatories agree that the revenue increase shall be allocated based on the following percentages:



Residential	35.04%
Commercial	42.85%
Industrial	6.56%
Public Authority	5.61%
Transport – T1	7.03%
Transport – T2	2.92%
Total	100%

3. TGS agrees to reimburse the RGVSA Cities for their previously-incurred reasonable and necessary legal and consultant expenses associated with TGS' 2014 COSA Adjustment filed with the RGVSA Cities on May 1, 2014. Such reimbursement shall be made on or before thirty (30) days from the date that the last RGVSA City has taken action to adopt or approve this Settlement Agreement and upon the Company receiving legal invoices or other documentation reflecting the City's incurred costs. The Signatories agree that TGS is entitled to recover its reasonable expenses associated with the 2014 COSA filing with the RGVSA Cities, as well as those expenses reimbursed to the RGVSA Cities in connection with this filing, through a volumetric surcharge, and that such amount shall not be included in the calculation of the 5% band limiting the amount of any future COSA Adjustment.
4. The Signatories agree that within a reasonable time period the RGVSA Cities shall adopt ordinances approving the Settlement Agreement and establish rates and services for the RGVSA Cities consistent with those set forth in Exhibit A to this Settlement Agreement. The Signatories agree to make good faith efforts to encourage each RGVSA City to timely adopt an ordinance approving the Settlement Agreement.
5. The Signatories agree that all negotiations, discussion, conferences and drafts related to the Settlement Agreement are confidential, inadmissible, and not relevant to prove any issues associated with the 2014 COSA Adjustment filed by TGS with the RGVSA Cities pursuant to Texas law.
6. The Signatories agree that neither this Settlement Agreement nor any oral or written statements made during the course of settlement negotiations may be used for any purpose other than as necessary to support the entry by the RGVSA Cities of an ordinance or resolution implementing this Settlement Agreement.
7. The Signatories agree that this Settlement Agreement is binding on each Signatory only for the purpose of settling the issues set forth herein and for no other purposes, and except to the extent the Settlement Agreement governs a Signatory's rights and obligations for future periods, this Settlement Agreement shall not be binding or precedential upon any Signatory outside this proceeding.
8. The Signatories agree that this Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

Agreed to this 24th day of June 2014.

TEXAS GAS SERVICE COMPANY

By: Kate Norman  
Kate Norman  
Attorney for Texas Gas Service Company

RIO GRANDE VALLEY SERVICE AREA CITIES

By: Geoffrey M. Gay  
Geoffrey Gay  
Attorney for the City of McAllen and certain other Rio Grande Valley Service Area  
Cities

RESIDENTIAL SERVICE RATE

APPLICABILITY

Applicable to a residential customer in a single dwelling, or in a dwelling unit of a multiple dwelling or residential apartment, or nursing homes, for domestic purposes.

TERRITORY

All customers in the incorporated areas served by the Company in its Rio Grande Valley Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge per meter per month of \$11.25 plus -  
All Ccf @ \$ 0.50521 per Ccf

OTHER ADJUSTMENTS

In addition to the Cost of Service set forth above, each customer's bill shall include the following adjustments:

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

Taxes: Plus applicable taxes and fees (including franchises fees) related to above, see Rate Schedule 1B.

CONDITIONS

Subject in all respects to applicable laws, rules, and regulations from time to time in effect.

Supersedes Same Sheet Dated  
July 31, 2013

Meters Read On and After  
July 29, 2014

COMMERCIAL SERVICE RATE

APPLICABILITY

Applicable to commercial consumers and to consumers not otherwise specifically provided for under any other rate schedule.

TERRITORY

All customers in the incorporated areas served by the Company in its Rio Grande Valley Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge per meter per month of \$31.25 plus (For Commercial Service)

A Customer Charge per meter per month of \$18.75 plus (For Church Service)

All Ccf @ \$ 0.36869 per Ccf

OTHER ADJUSTMENTS

In addition to the Cost of Service set forth above, each customer's bill shall include the following adjustments:

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

Taxes: Plus applicable taxes and fees (including franchises fees) related to above, see Rate Schedule 1B.

CONDITIONS

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. Delivery of Gas hereunder may be interrupted or curtailed at the discretion of the Company, in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residences, hospitals, schools, churches, and other human needs customers as prioritized in the Company's approved Curtailment Program.

Supersedes Same Sheet Dated  
July 31, 2013

Meters Read On and After  
July 29, 2014

**TEXAS GAS SERVICE COMPANY**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE 30**

**INDUSTRIAL SERVICE RATE**

APPLICABILITY

Service under this rate schedule is available to any customer whose primary business activity at the location served is included in one of the following classifications of the Standard Industrial Classification Manual of the U.S. Government.

- |                   |  |
|-------------------|--|
| Division B        | - Mining - all Major Groups  |
| Division D        | - Manufacturing - all Major Groups                                     |
| Divisions E and J | - Utility and Government - facilities generating power for resale only |

TERRITORY

All customers in the incorporated areas served by the Company in its Rio Grande Valley Service Area.

COST OF SERVICE RATE

During each monthly billing period:

- A Customer Charge per meter per month of \$66.85 plus -  
All Ccf @ \$ 0.43229 per Ccf

OTHER ADJUSTMENTS

In addition to the Cost of Service set forth above, each customer's bill shall include the following adjustments:

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1.

Taxes: Plus applicable taxes and fees (including franchises fees) related to above, see Rate Schedule 1B.

CONDITIONS

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. Delivery of gas hereunder may be interrupted or curtailed at the discretion of the Company, in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residences, hospitals, schools, churches, and other human needs customers as prioritized in the Company's approved Curtailment Program.

Supersedes Same Sheet Dated  
July 31, 2013

Meters Read On and After  
July 29, 2014

**TEXAS GAS SERVICE COMPANY**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE 40**

**PUBLIC AUTHORITY SERVICE RATE**

APPLICABILITY

Applicable to all public and parochial schools and colleges, and to all facilities operated by Governmental agencies not specifically provided for in other rate schedules or special contracts.

TERRITORY

All customers in the incorporated areas served by the Company in its Rio Grande Valley Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge per meter per month of \$35.71 plus -  
All Ccf @ \$ 0.39166 per Ccf

OTHER ADJUSTMENTS

In addition to the Cost of Service set forth above, each customer's bill shall include the following adjustments:

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

Taxes: Plus applicable taxes and fees (including franchises fees) related to above, see Rate Schedule 1B.

CONDITIONS

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. Delivery of gas hereunder may be interrupted or curtailed at the discretion of the Company, in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residences, hospitals, schools, churches, and other human needs customers as prioritized in the Company's approved Curtailment Program.

Supersedes Same Sheet Dated  
July 31, 2013

Meters Read On and After  
July 29, 2014

TRANSPORTATION SERVICE RATE

APPLICABILITY

Service under this rate schedule is available to any customer of Texas Gas Service Company ("Company") and to Qualified Suppliers or Producers supplying natural gas to be transported, pursuant to Rate Schedule T-GEN (General Charges, Provisions and Conditions) for the transportation of customer-owned natural gas through the Company's Rio Grande Valley distribution system for use by customers within the Company's Rio Grande Valley's Service Area or delivered to connecting pipelines. The customer must arrange with its gas supplier to have the customer's gas delivered to one of the Company's existing receipt points for transportation by the Company to the customer's facilities at the customer's delivery point. The receipt points shall be specified by the Company at its reasonable discretion, taking into consideration available capacity, operational constraints, and integrity of the distribution system.

Prior to the execution of a Gas Transportation Service Agreement, customer must represent and certify that its usage shall average five hundred (500) Mcf of gas per month or six thousand (6,000) Mcf annually. The Company shall have the right at all reasonable times, upon prior notice to Customer, to enter onto Customer's premises and inspect Customer's facilities and operations to verify such capability. Customer must agree to notify the Company within a reasonable time if there is any change in Customer's usage. Should Customer's usage capability average less than five hundred (500) Mcf per month or six thousand (6,000) Mcf annually, Customer must so notify the Company and the Company may discontinue service hereunder except as provided in the Gas Transportation Service Agreement.

TERRITORY

All areas served by the Company in its Rio Grande Valley Service Area.

RATE

This rate shall be the sum of Part A, Part B, and Part C as described below.

Part A: A customer charge of \$127.82 per meter per month.

Part B: All volumes of natural gas transported during each month in accordance with this schedule shall be billed at the following Ccf charge:

All Ccf @ \$0.20284 per Ccf

Part C: "Additional Charges to Cost of Service Rate" pursuant to Rate Schedule T-GEN (General Charges, Provisions and Conditions).

CONDITIONS

See the "Special Provisions" and "Conditions" pursuant to Rate Schedule T-GEN (General Charges, Provisions and Conditions)

Supersedes Same Sheet Dated  
July 31, 2013 (Incorporated only)

Meters Read On and After  
July 29, 2014 (Incorporated only)

TRANSPORTATION SERVICE RATE

APPLICABILITY

Service under this rate schedule is available to any customer of Texas Gas Service Company ("Company") and to Qualified Suppliers or Producers supplying natural gas to be transported, pursuant to Rate Schedule T-GEN (General Charges, Provisions and Conditions) for the transportation of customer-owned natural gas through the Company's Rio Grande Valley distribution system for use by customers within the Company's Rio Grande Valley's Service Area or delivered to connecting pipelines. This rate schedule requires a one-year commitment for transportation service. The customer must arrange with its gas supplier to have the customer's gas delivered to one of the Company's existing receipt points for transportation by the Company to the customer's facilities at the customer's delivery point. The receipt points shall be specified by the Company at its reasonable discretion, taking into consideration available capacity, operational constraints, and integrity of the distribution system.

TERRITORY

All areas served by the Company in its Rio Grande Valley Service Area.

RATE

This rate shall be the sum of Part A, Part B, and Part C as described below.

Part A: A customer charge of \$327.82 per meter per month.

Part B: All volumes of natural gas transported during each month in accordance with this schedule shall be billed at the following Ccf charge:

All Ccf @ \$0.05865 per Ccf

Part C: "Additional Charges to Cost of Service Rate" pursuant to Rate Schedule T-GEN (General Charges, Provisions and Conditions).

Minimum Monthly Bill of \$1,500 (from the sum of Part A and Part B)

CONDITIONS

See the "Special Provisions" and "Conditions" pursuant to Rate Schedule T-GEN (General Charges, Provisions and Conditions)

Supersedes Same Sheet Dated  
July 31, 2013 (Incorporated only)

Meters Read On and After  
July 29, 2014 (Incorporated only)



Worksheet F.1

TEXAS GAS SERVICE COMPANY  
 Rio Grande Valley Service Area  
 12 MONTHS ENDED 12/2013

Summary of Proposed Rate Adjustment

	(A) Settled and Approved Rates from 2008, Plus Cumulative Prior Yr COSA Adjustments	(B) Current Calendar Year Normalized Bills	(C) Current Calendar Year Normalized Volumes (CCF)	(D) Revenue at Current Rates	(E) COSA Adjustment Per Ccf	(F) New Rates	(G) Current Year Revenue Impact	(H) Avg customer Ccf usage per month (in current yr)	(I) Average Monthly Customer Bill Impact
<b>RESIDENTIAL</b>									
1 Customer Charge	\$ 11.23	771,000	9,654,607	\$ 8,673,769	\$ 0.03307	\$ 0.50521	\$ 327,932	12.52	0.43
2 All Ccf	\$ 0.47124	771,069	9,654,697	13,223,387					
3									
<b>COMMERCIAL</b>									
4 Customer Charge - Comm	\$ 31.25	39,348		1,229,625					
5 Customer Charge - Church	\$ 18.75	3,612		67,725					
6 All Ccf	\$ 0.34415	42,960	16,168,756	5,564,877	\$ 0.02461	\$ 0.36686	\$ 401,091	376.37	8.34
7			16,188,756	6,851,827					
<b>INDUSTRIAL</b>									
8 Customer Charge	\$ 66.85	636		42,517					
9 All Ccf	\$ 0.40323	636	2,111,346	851,956	\$ 0.02966	\$ 0.43229	\$ 61,365	3,319.73	96.49
10			2,111,346	893,875					
<b>PUBLIC AUTHORITY</b>									
11 Customer Charge	\$ 35.71	6,468		230,972					
12 All Ccf	\$ 0.36533	6,468	3,994,959	729,819	\$ 0.02533	\$ 0.39166	\$ 52,532	308.44	6.12
13			1,894,959	959,731					
<b>TRANSPORTATION</b>									
T-1 (Regular)									
14 Customer Charge	\$ 127.82	504		64,421					
15 All Ccf	\$ 0.16928	504	4,824,092	912,716	\$ 0.01364	\$ 0.20284	\$ 65,786	9,571.59	130.53
16			4,824,092	977,138					
<b>T-2 (Large) - Volumes in Excess of Minimum Bill</b>									
17 Customer Charge	\$ 327.82	164		53,762					
18 All Ccf	\$ 0.05471	164	6,923,384	378,778	\$ 0.00394	\$ 0.05865	\$ 27,302		
19			6,923,384	432,541					
<b>T-2 (Large) Minimum Bill (no volumetric charge)</b>									
20 Customer Charge	\$ 327.82			0					
21 All Ccf	\$ -	109	1,338,149	159,000					
22 Minimum Bill	\$ 1,500.00	109	1,338,149	192,000					
23									
24		264	8,261,533	592,541			\$ 27,302	31,283.69	103.42
<b>Total T-2</b>									
25 Other Transport		132							
26 Customer Charge			15,213,044						
26 All Ccf		132	13,213,044	320,209					
27									
28 Transport Total		909	26,288,659	1,879,887					
29 Service Charge and Other Revenue				411,066					
30 TOTAL		821,964	56,228,327	24,228,833			\$ 936,000		

check to Schedule A-1a

## **Model Staff Report in Support of TGS COSA Rate Increase Ordinance**

### **Background**

On May 1, 2014, Texas Gas Service Company (“TGS” or “Company”) filed for a rate increase pursuant to the Cost of Service Adjustment (“COSA”) tariff adopted by the Rio Grande Valley Service Area (“RGVSA”) Cities. TGS claimed an entitlement to rate relief under the tariff in the amount of \$790,772 on a system-wide basis, or \$685,936 from incorporated areas. However, the Company asked for a waiver of the language in Section C.5 of the COSA based upon cost revenues from a loss of customers in 2013. Thus, the request was for a total increase of \$1,216,601 of which \$1,055,311 is attributable to incorporated areas. TGS alleged that a failure of cities to grant the requested waiver would likely cause them to file a traditional Statement of Intent rate case. Attorney, Geoffrey Gay, and consultant, Karl Nalepa, relied upon by the City of McAllen to review the TGS filing and negotiate a settlement agreed that granting the requested waiver was appropriate. Mr. Nalepa prepared a report that recommended five adjustments to the Company’s case. After discussions with the Company, the parties reached agreement on a system-wide rate increase of \$936,000 or a \$280,000 reduction to the filed request.

### **Purpose of the COSA**

The Texas Legislature allows gas utilities to annually adjust rates based on changes to invested capital. That statutory provision is referred to as the Gas Reliability Infrastructure Program (“GRIP”). In a GRIP proceeding, cities are not allowed to intervene at the Railroad Commission, cannot challenge the reasonableness of any investment, and may not recover rate case expenses. In 2009, RGVSA Cities negotiated a COSA tariff as a three year experimental substitute for the GRIP process. Finding the COSA process to be mutually beneficial, the COSA process was renewed at the end of the experiment.

### **Resolution of the 2014 Filing**

Cities’ consultant Karl Nalepa recommended five adjustments to reduce the \$1,216,601 rate increase requested by TGS. The most significant corrected an overestimation of lost revenue associated with loss of customers. Additional adjustments were made for wages, short-term incentives, margin tax, and utility plant. Settlement discussions resulted in TGS agreeing to reduce their request by \$280,000. Additionally, as a concession to the City agreeing to grant the good cause waiver, the Company agreed to update customer class cost allocation factors to recognize the change in customer count and revenues associated with the need for the good cause waiver. That cost allocation adjustment shifted approximately \$45,000 away from the residential class.

### **Bill Impact**

The proof of revenues prepared by TGS, and affirmed by Karl Nalepa, reveals that the rate increase will have the following impact on average monthly customer bills:

Residential	\$0.43
Commercial	\$9.34
Industrial	\$96.49
Public Authority	\$8.12
Transportation T-1	\$130.53
Transportation T-2	\$103.42

**EXPLANATION OF “BE IT ORDAINED” PARAGRAPHS**

- Section 1. When rates change, it is critical for the regulatory authority to find existing rates to be unreasonable and for the new rates to be just and reasonable. This section finds that the new rates reflected in attached tariffs for each customer class are reasonable.
- Section 2. This paragraph is necessary to grant the requested good cause waiver.
- Section 3. Since we negotiated a change to the class cost allocation factors, this paragraph sets out the specific class cost allocation factors that result in the average monthly bill impacts referenced above.
- Section 4. This paragraph requires the Company to reimburse the City for consulting and legal costs associated with the requested increase.
- Section 5. This paragraph repeals any prior City action that might be inconsistent with the new tariffs adopted by the Council.
- Section 6. This paragraph recites compliance with the Open Meetings Act.
- Section 7. This paragraph is a typical savings clause, preserving the remaining provisions of the Ordinance should any one provision be determined to be invalid.
- Section 8. Pursuant to the COSA tariff, the new rates are to become effective August 1st. This paragraph allows the Company to implement the new rates on meter reads that occur on or after July 29, 2014.
- Section 9. This paragraph requires that an adopted and signed copy of the Ordinance be sent to the Company and special counsel to the City.

**RECOMMENDATION**

The City staff recommends adoption of the Ordinance and tariffs establishing new rates.

# #11 Public Comment

# #12 Adjourn