

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

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MAGNOLIA, TEXAS, INCREASING THE JUST AND REASONABLE GAS UTILITY RATES TO BE CHARGED WITHIN IN ITS INCORPORATED SERVICE AREAS BY UNIVERSAL NATURAL GAS, LLC; REQUIRING REIMBURSEMENT OF RATE CASE EXPENSES BY THE COMPANY; FINDING THAT THE MEETING COMPLIES WITH THE OPEN MEETINGS ACT; MAKING OTHER FINDINGS AND PROVISIONS RELATED TO THE SUBJECT; AND DECLARING AN EFFECTIVE DATE.**

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**WHEREAS**, the City of Magnolia, Texas (“City”) has exclusive original jurisdiction over the rates, operations and services of a gas utility in areas of the municipality pursuant to Gas Utility Regulatory Act § 103.001;

**WHEREAS**, in Ordinance No. O-2020-008, the City previously granted Universal Natural Gas, LLC (d/b/a Universal Natural Gas, Inc.) and its successors and assigns (“Company”) a franchise, to install, operate, and maintain a natural gas system that will serve customers within the municipal corporate limits of the City;

**WHEREAS**, in Ordinance No. O-2020-009, the City previously granted the Company the right to charge rates for natural gas utility service to customers within the City;

**WHEREAS**, in Ordinance No. O-2020-009, the City required the Company to file a general rate case within the City by no later than June 30, 2021, based on a test year ending December 31, 2020;

**WHEREAS**, in Ordinance No. O-2021-014, the City extended the Company’s deadline to file a general rate case within the City from June 30, 2021 (based on a test year ending December 31, 2020) to December 31, 2021 (based on a reasonable test year), in order to provide the Company and the City more time to evaluate potential options relating to the Company’s rates and terms and conditions of service within the City;

**WHEREAS**, the Company completed a rate case before the Railroad Commission of Texas that, by order dated April 13, 2021 (“Commission Order”), set the Company’s rates and terms and conditions of service for environs customers within Texas (including those in Montgomery County) that are outside the corporate limits of municipalities (“Environs Rates”);

**WHEREAS**, the Commission Order determined that the Company’s revenue, rates, rate design, and service fees are just and reasonable, are not unreasonably preferential, prejudicial, or discriminatory, are compliant with affiliate transactions standards, and are sufficient, equitable, and consistent in application to each class of consumer, as required by the Texas Utilities Code;

**WHEREAS**, the Commission Order determined that the Company met the burden of proof in accordance with the provisions of Texas Utilities Code § 104.008 on the elements of the approved rate increases;

**WHEREAS**, on December 27, 2021, the Company filed its statement of intent to increase natural gas rates in which it proposed that the rates and terms and conditions of service applicable to customers within the City be equivalent to the rate schedules approved in the Commission Order, except that instead of Rate Schedules RCE and COG approved in the Commission Order, UniGas would adopt Rate Schedule RCE-Magnolia and Rate Schedule COG-Municipal for service within the City;

**WHEREAS**, under the Company’s proposal, monthly customer charges per meter and volumetric commodity charges per Mcf for residential and commercial customers within the City—excluding the cost of gas, taxes, franchise fees, and other charges as provided for under the rate schedules—would be as follows:

<b>Customer Class</b>	<b>Rate</b>
<b>Residential</b>	
Monthly Customer Charge	\$18.00
Commodity/Usage Rate	\$3.14/Mcf
<b>Small Commercial ( ≤150 Mcf/month)</b>	
Monthly Customer Charge	\$45.00
Commodity/Usage Rate	\$2.91/Mcf
<b>Large Commercial ( &gt;150 Mcf/month)</b>	
Monthly Customer Charge	\$175.00
Commodity/Usage Rate	\$2.91/Mcf

**WHEREAS**, the Company has provided notice of its intent to increase rates under Texas Utilities Code § 104.103 by publishing, in conspicuous form, notice to the public of the proposed increase once each week for four successive weeks in a newspaper having general circulation in Montgomery County;

**WHEREAS**, the Company has agreed to file another general base rate case with the City contemporaneous with its next base rate case filing with the Commission;

**WHEREAS**, it is reasonable to adopt the proposed rate increases and terms and conditions of service for customers located within the City, including all rate schedules contained in the Commission Order except that Rate Schedule RCE-Magnolia and Rate Schedule COG-Municipal (both as contained in the Company’s application with the City) would apply instead of Rate Schedule RCE and Rate Schedule COG included in the Commission Order;

**WHEREAS**, the City retained the Lawton Law Firm, P.C. to review the Company’s proposed rate increases and to make necessary recommendations to the City;

**WHEREAS**, the Lawton Law Firm, P.C. recommended that the City approve the Company's proposed rate increases;

**WHEREAS**, it is reasonable for the Company to reimburse the City's rate case expenses for its review of the proposed rate increases pursuant to Gas Utility Regulatory Act, Texas Utilities Code § 103.022(a) in an amount not to exceed \_\_\_\_\_ dollars (\$\_\_\_\_); and

**WHEREAS**, it is reasonable for the Company to recover from its customers within the City a rate case expense surcharge for its and the City's reasonable and necessary rate case expenses in a total amount not to exceed \_\_\_\_\_ dollars (\$\_\_\_\_) over a period of approximately sixty (60) months;

**NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MAGNOLIA, TEXAS, THAT:**

**Section 1.** The statement and findings set out in the preamble to this ordinance are hereby in all things approved and adopted.

**Section 2.** The Company provided notice of its intent to increase rates in accordance with the applicable provisions of the Texas Utilities Code, including § 104.103.

**Section 3.** The Company's proposed rate increases and terms and conditions of service for customers located within the City are just and reasonable, and the City adopts the relevant findings and conclusions of the Commission Order with respect thereto.

**Section 4.** The City adopts the rate schedules for the Company reflected in the Commission Order except that Rate Schedule RCE-Magnolia and Rate Schedule COG-Municipal, which are both attached as Exhibit 1 hereto, shall apply instead of Rate Schedules RCE and COG attached to the Commission Order.

**Section 5.** The Company shall file a general rate case with the City concurrently with the Company's next base rate case filing with the Commission.

**Section 6.** The Company shall reimburse the City for its actual rate case expenses incurred for its review of the Company's proposed rate increases in an amount not to exceed \_\_\_\_\_ dollars (\$\_\_\_\_).

**Section 7.** The Company shall recover from City customers its reasonable and necessary rate case expenses and those of the City, each as referenced above, through a surcharge to be amortized over an approximately sixty (60) month period as more particularly set forth in Rate Schedule COG-Magnolia attached hereto.

**Section 8.** The meeting at which the ordinance was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

**Section 9.** This ordinance shall become effective from and after its passage.

PASSED AND APPROVED this \_\_\_\_ day of \_\_\_\_\_, 2022.

**THE CITY OF MAGNOLIA**

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Todd Kana, Mayor