

ORDINANCE NO. 2026-06

ORDINANCE OF THE CITY OF NEDERLAND, TEXAS,
SUSPENDING THE RATES PROPOSED BY TEXAS GAS SERVICE
COMPANY'S GAS RELIABILITY INFRASTRUCTURE PROGRAM
FILING MADE WITH THE CITY ON OR ABOUT MARCH 10, 2026;
FINDING THAT THE MEETING COMPLIES WITH THE OPEN
MEETINGS ACT; MAKING OTHER FINDINGS AND PROVISIONS
RELATED TO THE SUBJECT, AND DECLARING AN EFFECTIVE
DATE

WHEREAS, on or about March 10, 2026, Texas Gas Service Company ("TGS" or "Company") filed an Annual Gas Reliability Infrastructure Program ("GRIP") adjustment with the City of Nederland ("City") to increase gas rates in its incorporated and environs service areas pursuant to Gas Utility Regulatory Act, TEX. UTIL. CODE ("Gas Utility Regulatory Act") § 104.301; and

WHEREAS, the Company proposed an effective date of May 9, 2026, for the requested increase unless the City suspends the date for a period no longer than forty-five (45) days; and

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

WHEREAS, Gas Utility Regulatory Act § 104.301 requires a streamlined process for the recovery of the costs of incremental investment by a gas utility; and

WHEREAS, the City's review of the Company's GRIP filing is limited to a ministerial review of the filing for compliance with the statute; and

WHEREAS, the City finds the need to suspend the effective date of TGS's requested rate increase for 45 days beyond the Company's proposed effective date until June 23, 2026, in order to review the Company's filing for compliance with Gas Utility Regulatory Act § 104.301; and

WHEREAS, the reasonableness of the Company's investment will be reviewed in TGS's future base rate case where all costs included in TGS's GRIP filing will be subject to refund.

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

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

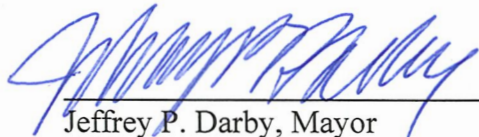
Section 2. The effective date of the Company's proposed GRIP rate increase, and the proposed tariffs related thereto, is hereby suspended until June 23, 2026.

Section 3. To the extent the City finds that the rates proposed by TGS's filing comply with Gas Utility Regulatory Act § 104.301, then the rates will become effective by operation of law on June 23, 2026.

Section 4. 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 5. This Ordinance shall become effective from and after its passage.

PASSED AND APPROVED this 20th day of April, 2026.



Jeffrey P. Darby, Mayor
City of Nederland, Texas

ATTEST:

Joni Underwood
Joni Underwood, City Clerk
City of Nederland, Texas

APPROVED AS TO FORM:

Richard D. Hughes
Richard D. Hughes, City Attorney
City of Nederland, Texas



THE LAWTON LAW FIRM, P.C.

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March 30, 2026

Via E-Mail

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City Manager – City of Beaumont
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Mr. Lance Bradley
City Attorney – City of Port Neches
P.O. Box 1148
Port Neches, Texas 77651

Re: **Texas Gas Service Company's 2026 GRIP Adjustment for all Incorporated and Environs Areas Served by the Company**

Dear Cities:

On March 10, 2026, Texas Gas Service Company ("TGS" or "Company") filed a Gas Reliability Infrastructure Program ("GRIP") adjustment factor with each of your communities, applicable to all incorporated and environs areas served by the Company. The Company is authorized to make annual GRIP rate change requests pursuant to Texas law passed in 2003, Gas Utility Regulatory Act, TEX. UTIL. CODE § 104.301 ("GRIP Statute") also see Section 7.7101 of

the Railroad Commission of Texas (“Commission”) Gas Services Division Rules. The GRIP Statute authorizes gas utility companies to request annual rate increases associated with year-to-year changes in incremental investment. The changes in investment are not subject to reasonableness review in the GRIP filing. Instead, all amounts collected under a GRIP filing are considered interim rates subject to review and refund in the Company’s next base rate proceeding.

In addition, the Texas Legislature recently passed a bill that broadens the scope of GRIP filings. House Bill 4384 (89th Legislative Session), codified as Gas Utility Regulatory Act, TEX. UTIL. CODE § 104.302, authorizes a gas utility to classify certain capital investment and tax expenditures as “regulatory assets” that are then recoverable through the GRIP mechanism. Eligible expenses include post in-service carrying costs, depreciation, and ad valorem taxes. Historically, gas utilities have not been allowed to recover these costs until they are approved by a regulatory authority, whether under the GRIP Statute or through a base rate case. The new law essentially erases this regulatory lag by allowing gas utilities to track costs from the date new plant goes into service and then to recover those costs retroactively. As with the GRIP Statute, amounts included in these regulatory assets are not subject to reasonableness review until the next base rate case and are subject to refund with interest.

TGS has determined that its capital investment increased by \$278,096,965 in calendar year 2025. This incremental GRIP investment results in the following average monthly customer bill impact for each affected customer class:

Customer Impact Summary

CUSTOMER CLASS	MONTHLY BILL INCREASE
RESIDENTIAL – SMALL	\$3.58
RESIDENTIAL – LARGE	\$3.58
COMMERCIAL – SMALL	\$13.70
COMMERCIAL – LARGE.	\$13.70
INDUSTRIAL	\$197.56
PUBLIC AUTHORITY	\$25.90

The GRIP Statute provides that the proposed GRIP rate surcharge will become effective 60 days from the date of the Company’s filing or **May 9, 2026**, unless suspended by the Cities. Cities may suspend the GRIP rate increase for an additional 45 days beyond the Company’s proposed effective date of May 9, 2026, while reviewing the GRIP application. Attached to this letter is a Rate Suspension Ordinance for your consideration. This Rate Suspension Ordinance will suspend the GRIP rate effective date until **June 23, 2026**.

The review process of a GRIP filing is generally a ministerial review limited to ensuring that the GRIP filing complies with the GRIP Statute. See *Atmos Energy Corp. v. Cities of Allen*, 353 S.W. 3d 156 (Tex. 2011). During the suspension period, any issues related to whether the GRIP filing comports with the GRIP Statute can be reviewed so that the Cities may make a final decision on this GRIP proposal. Note that under the new statute, recovery relates back to when plant went into service, so delaying the effective date will not reduce the total amount customers

will pay. Nonetheless, passing the Rate Suspension Ordinance will shift the effective date to a lower-consumption time of year, which may mitigate the initial bill impact on customers.

Please remember, if your City wishes to suspend the proposed rates, you must take action by passing the attached Rate Suspension Ordinance prior to May 9, 2026. Otherwise, the Company's requested rates will go into effect on May 9, 2026. Please send a completed copy of the final Rate Suspension Ordinance to by email: danlawtonlawfirm@gmail.com and molly@mayhallvandervoort.com.

If there are any questions or concerns, please do not hesitate to call.

Sincerely,

/s/ Daniel J. Lawton