



MEMORANDUM

To: Mayor and City Council

From: Jerod Anderson, Director of Enterprise

Date: Solutions September 27, 2022

Reference: Consider approval of a Resolution approving a negotiated settlement between the Atmos Cities Steering Committee (ACSC) and Atmos Energy Corp., Mid-Tex Division; and authorizing the Mayor to sign.

Introduction:

The purpose of this agenda item is to approve a Resolution approving a negotiated settlement between the Atmos cities steering committee (“ACSC”) and Atmos Energy Corp., Mid-Tex Division. The City, along with 181 other Mid-Texas cities served by Atmos Energy Corporation, Mid-Tex Division (“Atmos Mid-Tex” or “Company”), is a member of the Atmos Cities Steering Committee (“ACSC”). On or about April 1, 2022, the Company filed a rate request pursuant to the RRM Tariff adopted by ACSC members. The Company claimed that its cost-of-service in a test year ending December 31, 2021, entitled it to additional system-wide revenues of \$141.3 million. After reviewing the Company’s request, the ACSC’s consultants concluded that the amount of \$115 million is the appropriate settlement amount instead of \$141.3 million. The Executive Committee recommends a settlement at \$115 million. The Effective Date for new rates is October 1, 2022. ACSC members should take action approving the Resolution before September 30, 2022.

The impact of the settlement on average residential rates is an increase of \$4.60 on a monthly basis, or 6.7 percent. The increase for average commercial usage will be \$14.34 or 4.3 percent.

Background:

In 2007, ACSC and Atmos Mid-Tex settled a rate application filed by the Company pursuant to Section 104.301 of the Texas Utilities Code for an interim rate adjustment commonly referred to as a GRIP filing (arising out of the Gas Reliability Infrastructure Program legislation). That settlement created a substitute rate review process, referred to as Rate Review Mechanism (“RRM”), as a substitute for future filings under the GRIP statute. Since that time, there have been several modifications to the original RRM Tariff. The most recent iteration of an RRM Tariff was reflected in an ordinance adopted by ACSC members in 2018.

The Legislature's GRIP process allowed gas utilities to receive annual rate increases associated with capital investments. The RRM process has proven to result in a more efficient and less costly (both from a consumer rate impact perspective and from a ratemaking perspective) than the GRIP process. Given Atmos Mid-Tex's claim that its historic cost of service should entitle it to recover \$141.3 million in additional system-wide revenues, the RRM settlement at \$115 million for ACSC Cities reflects substantial savings to ACSC Cities. Settlement at \$115 million is fair and reasonable.

Legal Review:

The agenda item was submitted by Thomas Brocato, Attorney with Lloyd Gosselink Rochelle & Townsend, P.C. with review by Bob Hager.

Fiscal Impact:

None.

Recommendation:

Approval recommended.