



## STAFF REPORT

**DATE:** August 17, 2021

**TO:** Kent Cagle, City Manager

**FROM:** Traci Briggs, City Attorney

**SUBJECT:** Approving a negotiated settlement between the Atmos Cities Steering Committee and Atmos Energy regarding the 2021 Atmos Rate Review Mechanism

### **BACKGROUND AND FINDINGS:**

The City, along with 171 other cities served by Atmos, Mid-Tex Division (Atmos), is a member of the Atmos Cities Steering Committee (ACSC). In 2007, ACSC and Atmos 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 an alternate rate review process, referred to as Rate Review Mechanism (RRM), as a substitute for future filings under the GRIP statute. Attached to the staff report for additional background is a frequently asked questions document prepared by attorneys with Lloyd Gosselink, the law firm that represents ACSC.

On or about April 1, 2021, Atmos filed a rate request pursuant to the RRM Tariff adopted by ACSC members. Atmos claimed that its cost-of-service in a test year ending December 31, 2020, entitled it to additional system-wide revenues of \$43.4 million. Application of the standards set forth in ACSC's RRM Tariff reduces Atmos' request to \$40.5 million, \$29.3 million of which would be applicable to ACSC members. ACSC's consultants concluded that the system-wide deficiency under the RRM regime should be \$22.34 million instead of the claimed \$40.5 million. The amount of the \$22.34 million deficiency applicable to ACSC members would be \$16.8 million.

After Atmos reviewed ACSC's consultants' report, ACSC's Executive Committee and Atmos negotiated a settlement whereby Atmos would receive an increase of \$22.78 million from ACSC Cities, but with a two-month delay in the Effective Date until December 1, 2021. This should save ACSC cities approximately \$3.8 million. The impact of the settlement on average residential rates is an increase of \$1.28 on a monthly basis or 2.2 percent. The increase for average commercial usage will be \$4.03 or 1.61 percent.

The Executive Committee recommends a settlement at \$22.78 million. The effective date for new rates is December 1, 2021.

### **THE ALTERNATIVES CONSIDERED:**

The alternatives are to disapprove the negotiated settlement or approve the negotiated settlement.

**Which alternative is recommended? Why?**

The ACSC Executive Committee recommends approving the negotiated settlement as fair and reasonable.

**CONFORMITY TO CITY POLICY:**

The item conforms to law and policy.

**FINANCIAL IMPACT:**

**What is the amount of the expenditure in the current fiscal year? For future years?**

There is no fiscal impact to the city, other than as a rate payer.

**Is this a one-time or recurring expenditure?**

N/A

**Is this expenditure budgeted?**

N/A

**If not, where will the money come from?**

N/A

**Is there a sufficient amount in the budgeted line-item for this expenditure?**

N/A

**RECOMMENDATION:**

Staff and the Executive Committee of the ACSC recommend approving the negotiated settlement between ACSC and Atmos Energy, Mid-Tex Division regarding the 2021 RRM filing.

**DEPARTMENTAL CLEARANCES:**

City Attorney

**ATTACHED SUPPORTING DOCUMENTS:**

Resolution

Exhibits

FAQ