



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