



# City of Killeen

## Legislation Text

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**File #:** RS-23-135, **Version:** 1

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Consider a memorandum/resolution approving a negotiated settlement between the Atmos Cities Steering Committee and Atmos Energy regarding the 2023 Atmos Rate Review Mechanism Filing.

**DATE:** September 5, 2023

**TO:** Kent Cagle, City Manager

**FROM:** Holli Clements, City Attorney

**SUBJECT:** Negotiated Settlement for 2023 Atmos Rate Review Mechanism Filing

### **BACKGROUND AND FINDINGS:**

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"). 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 2007, 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. On or about March 31, 2023, 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, 2022, entitled it to additional system-wide revenues of \$165.9 million.

Application of the standards set forth in ACSC's RRM Tariff reduces the Company's request to \$156.1 million, \$113.8 million of which would be applicable to ACSC members. After reviewing the filing and conducting discovery, ACSC's consultants concluded that the system-wide deficiency under the RRM regime should be \$130.9 million instead of the claimed \$156.1 million.

After several settlement meetings, the parties have agreed to settle the case for \$142 million. This is a reduction of \$23.9 million to the Company's initial request. This includes payment of ACSC's expenses. The settlement also includes an additional \$19.5 million for the securitization regulatory asset expenses related to Winter Storm Uri. This was previously approved by the Texas Legislature and Railroad Commission. The Effective Date for new rates is October 1, 2023. ACSC members should take action approving the Resolution/Ordinance before September 30, 2023.

### **THE ALTERNATIVES CONSIDERED:**

The alternatives are to:

1. Disapprove the negotiated settlement; or
2. Approve the negotiated settlement.

**Which alternative is recommended? Why?**

The ACSC Executive Committee recommends approval of the negotiated settlement because it is fair and reasonable.

**CONFORMITY TO CITY POLICY:**

This 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 the ACSC Executive Committee recommend approval of the negotiated settlement between ACSC and Atmos Energy, Mid-Tex Division regarding the 2023 RRM filing.

**DEPARTMENTAL CLEARANCES:**

City Attorney

**ATTACHED SUPPORTING DOCUMENTS:**

Atmos 2023 RRM Settlement Resolution  
Attachment 1 - Tariffs  
Attachment 2 - Pension Benchmark