

2024 ACSC Newsletter



2024 YEAR IN REVIEW ISSUE

This past year was a busy one for ACSC. This annual review highlights the significant events of 2024 that impacted ACSC and what's on the horizon next year.

ACSC Thanks Outgoing President Jennifer Richie

The Atmos Cities Steering Committee offered its sincere thanks in 2024 to Jennifer Richie, who resigned her post as City Attorney for the City of Waco. With her Aug. 12 departure, Ms. Richie also left her post as head of ACSC, a position she has held with distinction since 2014.

Thomas Brocato, general counsel for ACSC, praised Ms. Richie for her leadership. "Jennifer is the consummate professional and a great friend. It has been my pleasure partnering with her over the years."

Waco Mayor Jim Holmes also expressed his thanks. "We are appreciative of Jennifer's contributions to our city — her expertise and dedication have been vital in navigating the complex landscape of municipal governance," he said.

Richie, who received her law degree in 1998 from the Paul M. Hebert Law Center at Louisiana State University, said she is leaving her post to pursue other opportunities. She praised the City of Waco's legal team and said "it has been a true joy" working with her colleagues during a period of unprecedented growth for the city. "I have been so lucky to lead a legal team made up of smart, talented, and diligent professionals," she said. "I am confident that this team will continue to excel and support Waco's growth and development."

On December 17, 2014, ACSC held a quarterly meeting at the Arlington Convention Center during which Ms. Richie was elected as president to replace Jay Doegey, who had retired from the City of Arlington.

With Ms. Richie's departure, the ACSC officers for 2025 are Chair Meg Jakubik, Treasurer David Johnson, and Secretary Lupe Orozco. The vice chair position remains open.



From left: Lloyd Gosselink attorney Jamie Mauldin, outgoing ACSC Chair Jennifer Ritchie, and Lloyd Gosselink attorney Thomas Brocato

ACSC Welcomed New Members in 2024

The Atmos Cities Steering Committee welcomed two new members in 2024 — the town of Bartonville and the city of Llano. Bartonville and Llano became ACSC's 185th and 186th members respectively.

Town of Bartonville. Located eight miles south of Denton in south central Denton County, Bartonville was settled in 1878, and by 1890 had twenty-five residents, a general store, a gristmill, and cotton gin — all owned by the family of the town's namesake, T. Bent Barton. The present town of Bartonville, which incorporated in 1973, continues to grow as part of the general development of the area north of the Dallas / Fort Worth International Airport.

City of Llano. The county seat of Llano County, this Central Texas municipality was founded in 1855 as a frontier trading hub. Various 19th century buildings remain standing in the city's historic downtown area — including the charming Llano County courthouse, which was completed in 1893; and the grey granite building known as the Red Top Jail, built in 1895.

Welcome aboard Bartonville and Llano!

2024 Rate Case Round-Up

Atmos West Texas Seeks \$66.1 Million Hike; ACSC Intervenes for Consumers

Atmos Energy has filed paperwork seeking to increase system-wide base rates in its West Texas Division by approximately \$66.1 million. If approved, annual revenues received from the incorporated areas of that division would increase by approximately \$26.9 million, which equates to 32.27 percent, excluding gas costs. Average monthly residential bills also would go up by about \$16.66, or 10 percent, according to the company's Oct. 25 filing. The company seeks a rate of return of 8.21 percent.

In addition to establishing new rates, the company seeks in its filing to establish a new "System Safety and Integrity Rider" through which it could recover expenses for inspection activities, incremental leak surveying, pipeline integrity testing, and other associated costs. Atmos likewise seeks to obtain approval to recover cloud computing costs through the interim Gas Reliability Infrastructure Program, and it seeks approval to increase limits on recoverable meals and lodging expenditures.

ACSC has intervened in the matter. The case number is 00018879.

Atmos Rev Rider Filing

On Oct. 15, the Texas Railroad Commission ordered a \$38,875,709 reduction in Atmos Pipeline Texas rates, the result of a utility filing earlier in the year through the Rider Revenue Adjustment process.

Under the new Rev Rider Adjustment, the city gate capacity charge decreased by \$.100616, bringing the new charge to \$20.30379. Measured in million British thermal

units of maximum gas quantity flowing over the pipeline system, the charge gets allocated in an indirect fashion to residential customers. According to ACSC calculations, typical bills would decrease by approximately \$1.20 per month as a result.

The effective date was Nov. 1, 2024. More information can be found at the Railroad Commission website, under Case No. 00018176.

Rate Review Mechanism and GRIP

Atmos has a statutory right to an annual rate increase associated with recovery of capital investment made in the preceding 12 months. The statutory right to recovery of capital costs is pursuant to a process referred to as Gas Reliability Infrastructure Program (also known as "GRIP," see below). However, ACSC has always objected to GRIP as piecemeal ratemaking because it does not evaluate rising revenues or declining expenses that may offset the need for a rate increase associated with increased capital investment.

Additionally, cities are not entitled to challenge any portion of a GRIP filing as unreasonable. In response, ACSC negotiated a Rate Review Mechanism ("RRM") with Atmos as a substitute for GRIP. The RRM has no existence in statutes and exists only pursuant to city ordinances.

Environs (areas outside municipal limits) are subject to GRIP, and some non-ACSC member cities have chosen to remain under GRIP. ACSC current rates are lower than GRIP rates, and research has shown that consumer outcomes under the RRM process are generally better than under GRIP.

Atmos RRM Filings

Mid-Tex RRM. On April 1, Atmos Energy filed its annual Rate Revenue Mechanism rate case for the RRM cities of its Mid-Tex Division. The company initially sought a \$196.8 million annual revenue increase on a system-wide basis. The initial request was reduced to \$182.5 million due to limitations in the RRM tariff. ACSC consultants conducted a review of the filing and prepared a report identifying other potential decreases totaling \$32.9 million. The company subsequently agreed to settle for a \$164.7 million increase, or a reduction of \$32.1 million from its initial request.

West Texas RRM. On April 1, Atmos filed its annual RRM request for its West Texas service territory. As filed, the request would have resulted in a \$6.7 million revenue increase for affected customers. The initial request for the utility's West Texas Division was subsequently reduced to \$5.8 million due to limitations in the RRM tariff. Consultants for the Cities Served by Atmos West Texas conducted a review of the filing and prepared a report identifying more potential decreases totaling \$2.7 million. The company subsequently agreed to settle for a \$4.3 million increase, or a reduction of \$2.4 million from its initial request.

Atmos GRIP Filings

Mid-Tex. On May 14, the Texas Railroad Commission approved an interim \$173.4 million increase for the environs in the Atmos Mid-Tex region, of which \$8,529,031 is recoverable from the 97,217 customers subject to the order.

Atmos made the rate request on February 23 under the state's GRIP statute. The residential charge set in the last

environs base rate case in 2018 was \$17.05. Since then, six consecutive GRIP cases have added \$29.06 to the customer charge (including \$6.73 in the current filing). With the new Railroad Commission action, the residential customer charge in the environs will be \$46.11, or more than 170 percent of the charge set in the last rate case. More information in Case No. 00016391.

Atmos West Texas. On May 14, the Texas Railroad Commission approved a \$16.8 million increase for the Atmos West Texas region, of which \$1,379,450 is recoverable from 25,257 customers subject to the order. Atmos made the rate request on February 23 under the state's GRIP statute. The residential charge set in the last base rate case was \$16.10. Since then, six consecutive GRIP cases have added \$19.01 to the environs customer charge (including \$3.62 in the current filing), more than doubling the charge set in the 2018 rate case. With the new Railroad Commission action, the residential customer charge now becomes \$35.11. Find more information in Case No. 00016393.

Atmos Pipeline. On May 14, the Texas Railroad Commission approved an \$82,440,179 million increase for Atmos Pipeline Texas. The company requested the increase on February 27. The increase represents the first such GRIP adjustment for Atmos Pipeline Texas since the last base rate case (Case No. 00013758) in 2023. The adjustment adds \$2.12 to the Atmos Pipeline capacity charge, bringing the total to \$20.35. (The capacity charge is measured in million British thermal units of MDQ, where MDQ is defined as the maximum daily quantity of gas over the pipeline system). Find more information in Case No. 00016396.

RRC Chair Craddick Elected to Third Term

Railroad Commission Chair Christi Craddick has won reelection for her third term to the powerful energy-related regulatory agency.

In addition to regulating the Texas oil and gas industries, the Railroad Commission oversees gas utility regulatory matters. The GCCC intervenes in gas utility rate cases at the Railroad Commission.

As a top campaign issue, Craddick pointed to the growth of the Texas oil and gas industries during her tenure. She also criticized federal regulations intended to reduce emissions and fight climate change but that she said would damage the fossil fuel industries.

Each of Craddick's opponents — Democrat Katherine Culbert, Libertarian Hawk Dunlap, and Green Party Candidate Eddie Espinoza — called for reform, arguing that the fossil fuel industry exerts too much control over the Railroad Commission.

Because the Texas Railroad Commission regulates the economically and politically powerful Texas fossil fuel industry, a seat there has been called one of the nation's most important elected offices relating to energy.

However, the agency has no authority over Railroads, and members of the public often report confusion about the agency's mission.

The elected officials who sit on the three-member commission serve six-year terms and run in staggered elections. As such, one commission is always up for re-election every two years.

All Railroad commissioners have been Republicans since the mid-1990s.

RRC Approves Gas Conservation Program Rules

New regulations to implement House Bill 2263, state legislation that authorized gas utilities to create ratepayer-supported energy conservation programs, received final approval in 2024.

HB 2263 specifies that local gas distribution companies such as Atmos in the Dallas-Fort Worth area and CenterPoint in Houston can offer energy conservation programs to their residential and commercial customers. The legislation also sets forth rules for cost recovery by utilities.

The Texas Railroad Commission adopted the final rules on March 20 after a public comment period and input from various stakeholders, including the Atmos Cities Steering Committee. As adopted, the rules establish a new section in state law, 16 Texas Administrative Code §7.480, that specifically addresses the implementation of Energy Conservation Programs by gas utilities.

The Details

- The new rules create a cost cap for energy conservation programs, such that the maximum rate for them may not exceed a volumetric charge of \$0.20 per Mcf for residential and commercial customers. The rate increase due to an ECP charge would be no more than approximately 1.2 percent of the 2023 average cost of residential gas service in Texas according to the U.S. Energy Information Administration. Various stakeholder

groups supported this change.

- The final adopted rules did not include a cost-effectiveness standard for the conservation programs, although commission staff indicated that they may revisit the issue after the program is up and running. ASCC and other stakeholder groups recommended the inclusion of such a standard.
- The rules did not include a contested case prudence review of costs, as recommended by consumer and city groups, including the ACSC.
- The rule included a 120-day deadline in which commission staff must complete its administrative review of an ECP application. This deadline was suggested by ACSC.
- ACSC asked that the Commission allow program modifications more frequently than once every three years. The Commission pointed to its limited staff resources and said that once every year would not be manageable. However, it agreed with ACSC that once every three years is too infrequent, so the Commission included a provision in the final rule to allow new program applications every other year.
- The final rule contemplates an annual review of the ECP rate to ensure rates match ECP costs, as suggested by ACSC. Staff will instruct the local distribution company to adjust its ECP rate for the next program year if the rate needs to be adjusted.

2025 ACSC Meetings

March 6
June 12 — Virtual
September 11
December 11 — Virtual

2025 Officers

Chair—Meg Jakubik (Bedford)
Vice Chair—Open
Secretary—Lupe Orozco (Keller)
Treasurer—David Johnson (Arlington)

For more questions or concerns regarding any ACSC matter or communication, please contact the following representative, who will be happy to provide assistance:



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Atmos Reports Fiscal Year Earnings for 2024

Atmos Energy made \$2.9 billion in capital expenditures during the fiscal year ending Sept. 30 — an increase from the \$2.8 billion in capital expenditures it made during the prior fiscal year.

The company also expects to make another \$3.7 billion in capital expenditures during the 2025 fiscal year.

Those top-line capital expenditure numbers were among the highlights of a conference call conducted by Atmos executives on Nov. 7. Atmos Energy also released additional regulatory information to investment analysts on the call.

Fiscal Year Data

- Atmos reports that about \$1.3 billion in 2024 capital spending — or 83 percent of this year’s \$2.9 billion total — was used to repair and replace transmission and distribution pipelines.
- Atmos reported \$854.5 million in distribution income and \$500.9 million in pipeline income during the 2024 fiscal year. That compares to \$692.6 million in distribution income and \$364.5 million in 2023 pipeline income during the prior fiscal year.
- Some of the key income drivers in 2024 were a \$219.2 million net increase from distribution rate adjustments and \$68.4 million from pipeline rate adjustments.

RRC Makes Big Legislative Ask for IT Funding

The Railroad Commission would receive tens of millions of dollars in additional funding for new hardware, software, and information technology-related capital projects, under a budgeting request issued by the agency in advance of the 89th Texas Legislature.

In all, the commission has requested \$466,560,272 in biennial funding, with revenues from fees and surcharges covering 34.9 percent of its request and tax-supported General Revenue sources comprising 41.2 percent. The federal government will provide 23.3 percent.

But the “last big ask” in its Legislative Appropriations Request is for IT, according to Railroad Commission chairwoman Christi Craddick. “We have to work to get more data,” she said, according to media reports.

Some details:

Microfilm Digitization — \$907,496

The agency endeavors to make all oil and gas records available digitally online for use by the public. However, records held at the district offices won’t be completely digitized until the end of the 2025 fiscal year. The agency requests \$907,496 to complete this project.

Oversight and Safety Regulatory Filing Systems — \$6,288,068

The Railroad Commission collects multiple reports with large amounts of data from natural gas utilities

related to the sale of natural gas. The Commission uses this data to audit utility companies and ensure the accuracy of collected Natural Gas Utility Taxes. As such, the agency requests \$6,288,068 to create a new online filing system to make reporting easier for utility companies and an Alternative Fuels Online System to streamline the permitting process for operators.

Data Center Services Adjustment — \$7,700,000

The agency seeks an additional \$7,700,000 to fund Data Center Services (DCS) for the biennium. The agency says the extra funding is needed because its DCS costs are estimated to increase by 50.5 percent beyond the 2024-2025 appropriated amount.

Capital Budget — \$40,844,771

The agency seeks capital spending authority totaling \$40,844,771 for four capital projects: \$21,475,647 for mainframe modernization; \$15,280,374 for Data Center Services capital expenditures; \$3,000,000 for Inspection and Enforcement Tracking and Reporting System upgrades; and \$1,088,750 for new personal computers.

In addition, the agency notes that funding from the 2021 Infrastructure and Investment Jobs Act supports or is anticipated to support several programs including well plugging and site remediation activities, the Commission’s Brownfields program, and a program providing for the remediation of pre-1977 mining sites in Texas.