

# 2025 ACSC Newsletter



## 2025 YEAR IN REVIEW ISSUE

This past year was a busy one for ACSC. This annual review highlights the significant events of 2025 that impacted ACSC and what's on the horizon in 2026.



## Dallas Joins ACSC in 2025 as Largest Member With Other New Member McGregor, Coalition Reaches 188

The City of Dallas, the state's third most populous city, was among two new members joining the Steering Committee of Cities Served by Atmos in 2025. With the addition of the second addition, the city of McGregor located in McLennan and Coryell counties, ACSC now has 188 members.

The Dallas City Council authorized the city's ACSC membership on Oct. 8. Dallas has a population of 1.3 million and is now the largest member of the coalition.

McGregor, meanwhile, joined in June. The city near Waco has a population of about 5,800. It also was the site of the World War II-era Bluebonnet Ordnance Plant and has been the location of several rocket-making companies. SpaceX now has a rocket engine development and test facility in McGregor.

ACSC undertakes activities on behalf of its city members and their citizens relating to gas utility regulatory matters. These activities include participation in rate cases, rulemakings at the Texas Railroad Commission, and legislative efforts that impact natural gas rates.

Welcome Dallas and McGregor!

## 89th Texas Legislature Considers Gas Utility Bills in 2025

Lawmakers during the 89th Texas Legislature considered hundreds of energy related bills, including a handful relating to gas utility issues. Most of the energy-related bills failed during the session, although a few made it to the governor's desk.

Below we describe five important gas utility bills, including those that made it to the finish line and those that did not. The 89th Texas Legislature adjourned in June.

- HB 2166, by John Bryant, "relating to the establishment of an independent market monitor

for the natural gas market by the Public Utility Commission of Texas and an independent organization certified for a power region." This bill died in the House State Affairs committee.

- HB 4042, "relating to the applicability of certain safety provisions and regulatory fees administered by the RRC to gas distribution pipelines." This bill allows the RRC to establish an annual safety compliance fee for operators, set at \$1 for each service line in gas distribution systems and \$100 for each master metered system. Significantly, this bill also removes the term "natural" when referencing

gas distribution pipelines, thereby broadening the legislation’s applicability to all gas distribution systems. This bill went to the governor on May 26 and became law without his signature.

- HB 4384, Rep. Drew Darby, “relating to the recovery of a gas utility’s gross plant placed in service not yet being recovered in rates.” This bill allows a gas utility to include additional items in interim rate filings that are not subject to substantial contemporaneous review by the RRC. This legislation made it through the process and was signed by Gov. Greg Abbott on June 20. It became effective immediately.
- HB 5475, Ryan Guillan, “relating to a study and report on the Underground Facility Damage

Prevention and Safety Act.” This bill establishes a framework for enhancing the Underground Facility Damage Prevention and Safety Act in Texas through a comprehensive study and subsequent report. It empowers the RRC to collaborate with the Texas Underground Facility Notification Corporation to assess the state’s current systems related to underground facility safety. This bill died in the House Energy Resources Committee.

- SB 2635, Nathan Johnson, “relating to the name and governance of the Railroad Commission of Texas.” This bill would have renamed the Railroad Commission the “Texas Oil, Gas and Minerals Commission.” This bill died in the Senate Natural Resources Committee.

## Legislature in 2025 Delivers Additional Dollars to RRC

The Texas Railroad Commission, the state agency responsible for overseeing the oil and gas industry — including gas utilities — has received a \$593 million appropriation from the Texas Legislature.

The appropriation will finance agency operations for the 2026-2027 biennium. It represents a 23 percent increase from the \$481 million of the previous biennium, according to figures included in an earlier agency release.

The new two-year appropriation includes \$100 million for oil and gas well plugging, an amount described by the agency as the largest ever appropriation from the Texas Legislature for that purpose. The RRC’s “State Managed Plugging Program” has been responsible for the plugging of 46,000 wells since its inception in 1984, according to the agency.

The new legislative appropriation also includes \$16.7 million for data reporting systems to track produced water, authorized pits registrations, oversight, and safety regulatory filing and permitting. More than \$2 million also was allocated for upgrades to the agency’s cloud-based geographic information systems.

The RRC will receive \$1.3 million to establish an Underground Injection Well Investigation Team to help ensure injected fluids remain confined to the disposal formations and safeguard ground and surface fresh water. This team will supplement the RRC’s ongoing measures to mitigate seismicity and protect residents in areas including West Texas, according to the Railroad Commission.

The new appropriation was included in the state’s biennial budget, which was adopted as Senate Bill 1 during the 89th Texas Legislature that adjourned in June.

## ACSC in 2025 Calls for HB 4384 Rules to Protect Ratepayers

The Texas Railroad Commission should take action to mitigate ratepayer fallout from a potentially expensive new gas utility law, including through the consideration of savings from infrastructure retirements to offset the costs of new utility infrastructure. That was among the messages delivered by the Steering Committee of Cities Served by Atmos, a municipal coalition, in comments it filed Nov. 17, 2025, at the agency.

At issue are provisions of the newly adopted House Bill

4384 that allow gas utilities to classify certain capital and tax expenditures as “regulatory assets” in rate proceedings. Under the law, utilities can then quickly begin charging their customers for these assets.

In October, the commission launched a rulemaking proceeding to implement HB 4384, and various interested parties, including ACSC, have now filed their recommendations. In its comments, ACSC reiterated its previously stated concerns about the law: that it encourages

the expensive use of piecemeal ratemaking, for example, and that it continues to allow gas utilities to charge ratepayers for capital expenditures prior to any substantive review of those expenditures.

But HB 4384 also would have the effect of further reducing the lag time between when a utility spends money on capital projects and when the utility profits from such expenditures by recovering them in rates, according to ACSC. This is a problem because some amount of “regulatory lag” creates incentives for utilities to spend money in a more efficient manner.

“While ACSC acknowledges and values the importance of safe and reliable infrastructure, it has concerns about the impairment of regulatory lag, which plays a longstanding and important role in the regulated system,” wrote ACSC general counsel Thomas Brocato in the organization’s Nov. 17, 2025 comments.

### Recommendations

ACSC enumerated several recommendations to guide the agency’s ongoing rulemaking efforts. Chief among them was a recommendation relating to the treatment of “regulatory assets” under HB 4384. By definition, a regulatory asset can refer to various costs incurred by a utility that are not immediately expensed but rather deferred for later recovery through future rate increases. HB 4384 allows utilities to classify certain capital expenditures and taxes as regulatory assets and then quickly recover those expenditures through annual interim rate proceedings

without substantive prior review.

ACSC recommended that offsetting capital retirements (along with capital expenditures) also should be included in any calculation of regulatory assets. Otherwise, “utilities could have the advantage of fully recovering new plant in the regulatory asset and also earning a return on the retired plant,” ACSC noted in its comments. Furthermore, the inclusion of capital retirements in regulatory asset calculations “aligns with the Federal Energy Regulatory Commission Uniform System of Accounts, which supports the concept that gas plants should be reduced to reflect retirements,” ACSC noted.

ACSC also made the following recommendations:

- The rule implementing HB 4384 should include more clarity on how regulatory assets are handled in existing interim rate filings.
- When creating regulatory assets, gas utilities should use only approved values for return, depreciation, and taxes as determined in their most recent substantive rate case. That is, HB 4384 rules should bar utilities from using estimates for these values.
- The rule should require that utilities provide documentation supporting the in-service date for capital projects it includes in new regulatory assets.

The Railroad Commission is expected to issue a final rule in the coming months.

## Atmos Financial Report Shows More Spending, Profits in 2025

Atmos Energy made \$3.6 billion in capital expenditures during the 2025 fiscal year — an increase from the \$2.9 billion in capital expenditures it made during the prior fiscal year. The company also expects to make another \$4.2 billion in capital expenditures during the 2026 fiscal year. The average customer bill was \$80 for the 2025 fiscal year, up from around \$50 during the 2020 fiscal year. It projects average bills will continue increasing over the decade, reaching as much as \$121 by 2030. Those top-line capital expenditure numbers were among the highlights of a conference call conducted by Atmos executives on Nov. 6. Other details include:

### Fiscal Year Data (Fiscal Year Ending on Sept. 30)

- Atmos reports that about \$1.3 billion in 2025 capital spending — or 44 percent of this year’s \$3.6 billion total — was used to repair and replace transmission and distribution pipelines.

- Atmos reported \$963.4 million in distribution income and \$596.6 million in pipeline income during the 2025 fiscal year. That compares to \$854.5 million in distribution income and \$500.9 million in pipeline income during the prior fiscal year.
- Some of the key income drivers in 2025 were a \$184.1 million net increase from rate adjustments, \$26.7 million from residential and industrial growth — primarily in the Mid-Tex divine — and other factors.

### Regulatory Actions

- Atmos said that with the adoption of House Bill 4384 from the most recent Texas Legislature, that the company now expects to begin receiving recovery of 95 percent of its capital expenditures within six months of making them. HB 4384, which adjusts the regulatory process at the Texas Railroad

Commission, also means the company will receive recovery of 99 percent of its capital expenditures within one year of making them, according to Atmos.

- The company reported that its pipeline division implemented, on Nov. 1, a System Safety & Integrity Rider that allows for the recovery of certain safety and integrity costs. The authorized recovery from the 2025 rider is \$23 million, according to Atmos.

## 2025 Analysis by ACSC Shows Long-Term Increases in Atmos Spending, Revenues, and Bills

During a 2025 earnings call with investment analysts, officials at Dallas-based Atmos Energy boasted of delivering years of consistent dividend increases for their shareholders. In fiscal 2025, for instance, the year-over-year increase was 8.1 percent. This represented “the 41st consecutive year of rising dividends” for shareholders, according to the company.

But dividends aren’t the only thing on the rise at Atmos. An ACSC review of multiple financial filings also shows that it is spending ratepayer money at an unprecedented clip and that average gas bills have increased steadily. Moreover, average monthly gas bills could rise by as much as 50 percent over the next five years.

### About Atmos

Atmos Energy, the country’s largest natural gas-only distributor, serves more than 3.3 million distribution customers in over 1,400 communities across eight states. Atmos also manages proprietary pipeline and storage assets. Its most substantial holdings are in Texas, where the Texas Railroad Commission oversees its rates and operations.

As a publicly traded company, Atmos also hosts quarterly financial update calls in which it regularly touts almost clockwork-like increases in both its revenues and capital expenditures. These increases always come as good news to shareholders: revenue increases because they contribute to earnings-per-share growth, and capital expenditure increases because utilities receive a regulated rate of return on such expenditures. This means that, as a general matter, the more a utility spends on capital projects, the more revenue it is authorized to collect from customers.

Atmos notes, however, that customers benefit from its capital spending programs because they finance system safety and integrity efforts and because they help the company keep up with customer growth. The company also notes that while its average residential bills are on the rise, they nonetheless remain lower than bills charged by electric utilities.

### Rate and Spending Analysis

As noted, Atmos’s spending and revenues — and its monthly consumer bills — all have gone up in recent years. In some cases, the increases are substantial, according to a recent analysis of the company’s financial statements over the last 10 years. Here are some of the findings from that analysis.

#### Income

- Atmos reported net income in 2025 of nearly \$2 billion. That is more than five and a half times of its reported net income of \$345 million in 2016.
- The company’s annual net income increased by 91 percent between 2024 and 2025.
- The company reported increases in net income of 10 percent every year since 2017.

#### Spending

- The company estimated capital spending in 2025 of \$3.6 billion. That is more than triple the \$1.1 billion it reported in 2017.
- The company’s capital spending went up 21 percent between 2024 and 2025.
- The company’s capital spending has increased every year since 2017.

#### Rates

- Average bills across the company’s multi-state system went from \$72 last year to \$80 this year.
- Average bills are expected to increase to \$121 by 2030, an increase of more than 50 percent in five years.
- The company reports that average bills increased every year except for one since 2019.

# Atmos “SSI” Riders Explained: \$23 Million in 2025 Interim Charges Finance Pipeline Leak Testing

The pipeline division of Atmos Energy, the North Texas gas utility, has collected more than \$40 million in extra charges since 2024 to finance system safety testing, according to a review of regulatory filings.

Assessed through “System Safety and Integrity” riders, these charges accrue on top of other interim assessments made by Atmos outside its general rate cases.

Through System Safety and Integrity riders, or SSI, Atmos recovers from customers certain system safety costs that it incurs each year to maintain its pipeline system. As noted in Atmos filings, SSI is calculated as a monetary amount above a benchmark set during a preceding rate case — in this case, a pipeline proceeding from 2023 (Case No. OS-23-00013758).

In 2024, the SSI rider (under Case No. 00017667) added \$18.7 million to annual system costs. In 2025, it amounted to \$23 million (Case No. OS-25-0002811). These costs flow indirectly into home bills based on usage.

## Why SSI?

Federal law requires gas utilities to conduct intensive leak testing on their pipeline systems on a regular basis. This testing requires utilities to shut down individual lines on a rotating basis — typically every three to five years.

These integrity tests can cost millions of dollars on a systemwide basis, but they also vary widely from year to year. Gas utilities argue that these costs are too variable and unpredictable to include in relatively infrequent base rate cases and seek recovery through interim riders.

Under the SSI, Atmos receives authorization to collect system integrity costs on an annual basis, but these costs are subject to later refunds or surcharges to the extent they vary from actual costs as demonstrated through a subsequent true-up process. Atmos customers pay the SSI indirectly based on a calculation of both usage and the maximum daily quantity of gas flowing over the overall system.

Atmos does not receive a financial return on SSI expenditures. The Steering Committee of Cities Served by Atmos has not raised objections to Atmos’s use of safety-related SSI assessments.

## Other Charges

Atmos assesses the SSI in addition to other interim charges, including those associated with its annual capital spending. Overall, capital spending by Atmos has more than tripled since 2017, according to company financial reports. (See separate article on page 2).

## 2025 Rate Case Roundup

### Atmos RRM Rate Increase Reduced After City Intervention

In April, Atmos requested a \$245.2 million increase in revenues for its Mid-Tex Division, calculated on a system-wide basis. The request, made through the Rate Review Mechanism process, was subsequently reduced to \$225.6 million due to RRM tariff limitations.

Consultants with the Steering Committee of Cities Served by Atmos then prepared a report identifying additional potential reductions to the company’s rate request. After the intervention, Atmos agreed to settle the case for \$205.6 million — a reduction of almost \$40 million from the company’s initial request (and a \$20 million reduction from the company’s amended request). The settlement also includes payment of ACSC’s expenses.

The Rate Review Mechanism is a set of rules negotiated by ACSC cities that permit some regulatory oversight of utility rate



requests by cities. This contrasts with the parallel Gas Reliability Infrastructure Program (or “GRIP”) that exists under statute, but that does not allow meaningful advanced review of utility rate requests.

### **Dallas Negotiates Smaller Atmos Rate Increase for Area Residents**

The Dallas City Council has approved a negotiated 8 percent rate increase for residential Atmos Gas customers in the city, amounting to \$7.83 per month on average.

Atmos initially requested a total annual increase of \$31.4 million, but that amount was reduced to \$27.9 million after negotiations with the city. Atmos also will reimburse the city for its rate case expenses.

Atmos filed that initial request under the Dallas Area Rate Review process on Jan. 15, the Dallas City Council unanimously approved the settlement on May 28, and the rates went into effect on June 1.

Atmos Energy historically has been able to request a rate adjustment every year under the DARR process. However, unlike the separate Gas Reliability Infrastructure Process, DARR allows for substantive contemporaneous review of the rate filing by the city and negotiations.

### **Atmos Receives “GRIP” Increase for Pipeline Division**

On June 17, the Texas Railroad Commission approved an annual revenue increase of \$77,205,694 for Atmos Pipeline Texas under the rules of the state’s Gas Reliability Infrastructure Program, or “GRIP”.

In its initial Feb. 26 GRIP filing, the utility sought to recover costs for projects put in service during 2024. The GRIP tariffs will apply only to that portion of the system under the Railroad Commission’s original jurisdiction and will remain in effect until Atmos Pipeline-Texas’ next base rate case.

Under the Gas Reliability Infrastructure Program, the state’s monopoly gas utilities can hike rates without any substantive contemporaneous review. Cities have opposed GRIP because it allows gas utilities to increase rates even if the company’s overall spending is declining, or even if its revenues are increasing. Railroad Commissioners grant these hikes as a ministerial act.

More information can be found on the Railroad Commission website, under Case No. 00020448.

#### 2026 ACSC Meetings

March 5  
June 11 — Virtual  
September 10  
December 10— Virtual

#### 2025 Officers

Chair—Meg Jakubik (Flower Mound)  
Secretary—Chuong Phung (Grand Prairie)  
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: