



FINANCE

To: Mayor and Town Council

From: Chris Landrum, Finance Director

**Through: Mario Canizares, Town Manager
Bob Scott, Deputy Town Manager**

Re: Atmos Rate Settlement

Town Council Meeting – August 27, 2024

Strategic Visioning Priority: 4. Provide Excellent Municipal Services

Agenda Item:

Consider and act upon a resolution approving a negotiated settlement between the Atmos Cities Steering Committee (ACSC) and Atmos Energy Corporation, Mid-Tex Division regarding the company's 2024 rate review request.

Description of Agenda Item:

The Town and 181 other Mid-Texas cities served by Atmos Energy Corporation, Mid-Tex Division ("Atmos Mid-Tex" or "Company"), are members 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 April 1, 2024, 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, 2023, entitled it to additional system-wide revenues of \$196.8 million.

Application of the standards set forth in ACSC's RRM Tariff reduces the Company's request to \$182.5 million, \$132.6 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 \$149.6 million instead of the claimed \$182.5 million.

After several settlement meetings, the parties have agreed to settle the case for \$164.7 million. This is a reduction of \$32.1 million to the Company's initial request. This includes payment of ACSC's expenses. The Effective Date for new rates is October 1, 2024.

Budget Impact:

There is no budgetary impact affiliated with this item.

Legal Obligations and Review:

Thomas Brocato, ACSC's general counsel prepared the attached resolution. Terrence Welch of Brown & Hoffmeister, L.L.P. has reviewed the resolution as to form and legality.

Attached Documents:

1. Resolution
2. CY 23 MTX RRM-Tariffs
3. CY 23 MTX RRM-Pension Benchmark
4. CY 23 MTX RRM-Average Bill

Town Staff Recommendation:

Town Staff recommends that the Town Council approve the resolution approving a negotiated settlement between the Atmos Cities Steering Committee (ACSC) and Atmos Energy Corporation, Mid-Tex Division regarding the company's 2024 rate review request.

Proposed Motion:

I move to approve the resolution approving a negotiated settlement between the Atmos Cities Steering Committee (ACSC) and Atmos Energy Corporation, Mid-Tex Division regarding the company's 2024 rate review request.