

RESOLUTION NO. 2025-01

RESOLUTION BY THE CITY OF SANGER, TEXAS (“CITY”) DENYING THE INCREASE IN RATES PROPOSED BY ATMOS ENERGY CORPORATION IN ITS MID-TEX DIVISION FILED ON ABOUT DECEMBER 16, 2024; AUTHORIZING INTERVENTION IN PROCEEDINGS RELATED TO ATMOS ENERGY’S APPLICATION TO INCREASE RATES; AUTHORIZING SPECIAL COUNSEL TO REPRESENT THE CITY IN MATTERS RELATED TO ATMOS ENERGY’S PROPOSED INCREASE IN RATES; DIRECTING ATMOS TO REIMBURSE RATE CASE EXPENSES; FINDING THAT THE MEETING COMPLIES WITH THE OPEN MEETINGS ACT; MAKING OTHER FINDINGS AND PROVISIONS RELATED TO THE SUBJECT; AND DECLARING AN EFFECTIVE DATE.

WHEREAS, Atmos Energy Corporation (“Atmos” or “Company”) filed a Statement of Intent with the City on about December 16, 2024, to change its rate schedules within the corporate limits of this municipality, specifically to increase its annual revenue requirement by approximately \$16.73 million, which represents an increase in base rates of about 11.51%, excluding the cost of gas, and about 7.08% including the cost of gas; and

WHEREAS, the City is a regulatory authority under the Gas Utility Regulatory Act (“GURA”) and under Chapter 103, §103.001 et seq. of GURA has exclusive original jurisdiction over Atmos’s rates, operations, and services within the municipality; and

WHEREAS, to maximize the efficient use of resources and expertise in reviewing, analyzing and investigating Atmos’s rate request and its changes in tariffs, the City joins with other local regulatory authorities to form an alliance of cities known as the Atmos Texas Municipalities (“ATM”); and

WHEREAS, Atmos’s rate request consists of a voluminous amount of information including Atmos’s rate-filing package, exhibits, schedules, and workpapers; and

WHEREAS, Atmos’s rate application is the Company’s first general rate case since about 2018, and follows six consecutive annual increases in rates pursuant to the Interim Rate Adjustment (“IRA”) mechanism, also known as “GRIP” filings; and

WHEREAS, Atmos proposed January 20, 2024, as the effective date for its requested increase in rates; and

WHEREAS, the City will require the assistance of specialized legal counsel and rate experts to review the merits of Atmos’s application to increase rates; and

WHEREAS, Atmos’s application fails to establish that its overall revenue request resulted in no more than an amount that will permit Atmos a reasonable opportunity to earn a reasonable return on the utility’s invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses; and

WHEREAS, Atmos’s application fails to establish that its proposed rates are just and reasonable; and

WHEREAS, Atmos may exercise its statutory right to appeal a City decision regarding Atmos’s request to increase rates to the Railroad Commission of Texas; and

WHEREAS, Atmos filed its Statement of Intent to increase its revenue and change its rate with the City after it filed a substantially similar application with the Railroad Commission of Texas, and the decision of the Railroad Commission of Texas will have a direct impact on the City and its citizens who are customers of Atmos, and in order for the City’s participation to be meaningful, it is important that the City intervene in any such proceedings at the Railroad Commission of Texas related to Atmos’s application to increase rates.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SANGER TEXAS THAT:

Section 1. The findings set out in the preamble are in all things approved and incorporated herein as if fully set forth.

Section 2. Atmos’s application fails to show that its proposed rates are just and reasonable.

Section 3. The City hereby **DENIES** Atmos’s request to increase its revenue and change its rates and in support of **DENIAL** finds that:

- A.** Atmos failed in its burden of proof to establish that its requested increase in revenue or the changes set forth in its tariffs attached to Atmos’s Statement of Intent to change rates, results in just and reasonable rates;
- B.** Atmos failed in its burden of proof to establish that adoption of its proposed rate base, expenses, investment, return on equity, and other rate issues as presented in Atmos’s Statement of Intent to increase rates, result in just and reasonable rates.

Section 4. The City shall participate in a coalition of cities known as the Atmos Texas Municipalities (“ATM”), and authorizes intervention in proceedings related to Atmos’s Statement of Intent before the Railroad Commission of Texas and related proceedings in courts of law; and

Section 5. The City hereby orders Atmos to reimburse the City’s rate case expenses consistent with the Gas Utility Regulatory Act and that Atmos shall do so on a monthly basis and within 30 days after submission of the City’s invoices for the City’s reasonable costs associated with the City’s activities related to this rate review or related to proceedings involving Atmos before the City, the Railroad Commission of Texas, or any court of law.

Section 6. Subject to the right to terminate employment at any time, the City retains and authorizes the law firm of Herrera Law & Associates, PLLC to act as Special Counsel with regard to rate proceedings involving Atmos before the City, the Railroad Commission of Texas, or any court of law, and to retain such experts as may be reasonably necessary for review of Atmos’s rate application subject to approval by the steering committee of the ATM.

Section 7. The City, in coordination with the Atmos Steering Committee, shall review the invoices of the lawyers and rate experts for reasonableness before submitting the invoices to Atmos for reimbursement.

Section 8. A copy of this resolution shall be sent to Mr. Alfred R. Herrera, Herrera Law & Associates, PLLC, P.O. Box 302799, Austin, Texas 78703, and a courtesy copy to Atmos’s local representative.

Section 9. The meeting at which this resolution was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

Section 10. This resolution shall become effective from and after its passage.

PASSED AND APPROVED this 6TH day of JANUARY, 2025.

Thomas E. Muir, Mayor

ATTEST:

Kelly Edwards, City Secretary