

MODEL STAFF REPORT

*****ACTION MUST BE TAKEN TO SUSPEND THE EFFECTIVE DATE BEFORE DECEMBER 19, 2024*****

PURPOSE:

Atmos Energy Corp., West Texas Division (“Atoms West Texas” or “Company”) filed an application on October 25, 2024, with cities retaining original jurisdiction seeking to increase system-wide base rates by approximately \$66.1 million. If approved, this will increase the annual revenues received from the incorporated areas by approximately \$26.9 million (an increase of 32.27% excluding gas costs). According to Atmos West Texas, the impact of this approval on an average residential customer would be an increase of about \$16.66 per month (an increase of 10%).

The resolution suspends the December 19, 2024, effective date of the Company’s rate change for the maximum period permitted by law to allow the City, working in conjunction with other Cities served by Atmos West Texas to intervene in the Railroad Commission Case No. 18879 to evaluate the filing, determine whether the filing complies with law, and if lawful, to determine what further strategy, including settlement, to pursue.

The law provides that a rate request made by a gas utility cannot become effective until at least 35 days following the filing of the application to change rates. The law permits the City to suspend the rate change for 90 days after the date the rate change would otherwise be effective. **If the City fails to take some action regarding the filing before the effective date, Atmos West Texas’s rate request is deemed approved.**

Purpose of this Resolution:

The purpose of the resolution is to extend the effective date of Atmos West Texas’ proposed rate increase to give the City time to review the rate-filing package. The resolution suspends the December 19, 2024, effective date of the Company’s rate increase for the maximum period permitted by law to allow the City, working in conjunction with the other Cities Served by Atmos West Texas, to evaluate the filing, determine whether the filing complies with law, and if lawful, to determine what further strategy to pursue, including settlement and ultimately to approve reasonable rates.

Explanation of “Be It Resolved” or “Be It Ordained” Paragraphs:

Section 1. The City is authorized to suspend the rate change for 90 days after the date that the rate change would otherwise be effective for any legitimate purpose. Time to study and investigate the application is always a legitimate purpose. Please note that the resolution refers to the suspension period as “the maximum period allowed by law” rather than ending by a specific date. This is because the Company controls the effective date and can extend the deadline for final city action to increase the time that the City retains jurisdiction if necessary to reach settlement on

the case. If the suspension period is not otherwise extended by the Company, the City must take final action on Atmos West Texas' request to change rates by March 19, 2025

Section 2. This provision authorizes the City to participate in a coalition of Cities Served by Atmos West Texas ("Cities") in order to more efficiently represent the interests of the City and their citizens and authorizes the hiring of Lloyd Gosselink and consultants to review the filing, negotiate with the Company, and make recommendations to the City regarding reasonable rates. Additionally, it authorizes Cities to direct any necessary administrative proceedings or court litigation associated with an appeal of this application filed with the Railroad Commission of Texas (RRC).

Section 3. This section authorizes the City to intervene in and participate with Cities Served by Atmos West Texas as a party in the Company's filing, RRC Case No. 18879.

Section 4. The Company will reimburse the cities for their reasonable rate case expenses. Legal counsel and consultants approved by Cities will submit monthly invoices that will be forwarded to Atmos West Texas for reimbursement. No individual city incurs liability for payment of rate case expenses by adopting a suspension resolution.

Section 4. This section merely recites that the resolution was passed at a meeting that was open to the public and that the consideration of the Resolution was properly noticed.

Section 5. This section provides that both Atmos West Texas' counsel and counsel for the Cities will be notified of the City's action by sending a copy of the approved and signed resolution to certain designated individuals.

Recommendation

The City Staff recommends adoption of the resolution suspending the effective date of Atmos West Texas' proposed rate increase.