



COUNCIL AGENDA ITEM MEMORANDUM

DEPT./DIVISION SUBMISSION & REVIEW:

Kathryn Davis, City Attorney

ITEM DESCRIPTION: Consider adopting a resolution approving a negotiated settlement between the Atmos Cities Steering Committee and Atmos Energy Corp., Mid-Tex Division regarding Atmos' 2020 rate review mechanism filing.

BACKGROUND: The City, along with 171 other Mid-Tex cities served by Atmos Energy Corporation, Mid-Tex Division ("Atmos" or "Company") is a member of the Atmos Cities Steering Committee ("ACSC"). In 2007, ACSC and Atmos 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.

The Legislature's GRIP process allowed gas utilities to receive annual rate increases associated with capital investments. On or about March 31, 2020, 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, 2019, entitled it to additional system-wide revenues of \$141.2 million. Application of the standards set forth in ACSC's RRM Tariff required Atmos to reduce its request to \$136.3 million, \$98.7 million of which would be applicable to ACSC members. ACSC's consultants concluded that the system-wide deficiency under the RRM regime should be \$111.5 million instead of the claimed \$136.3 million. The amount of the \$111.5 million deficiency applicable to ACSC members would be \$80.8 million.

After the Company reviewed ACSC's consultants' report, ACSC's Executive Committee and the Company negotiated a settlement whereby the Company would receive an increase of \$90 million from ACSC Cities, but with a two-month delay in the Effective Date until December 1, 2020. This should save ratepayers approximately \$9 million such that the case is functionally equivalent to ACSC's

consultants' recommendation of \$80.8 million.

The impact of the settlement on average residential rates is an increase of \$5.15 on a monthly basis, or 9.9 percent. The increase for average commercial usage will be \$15.48 or 6.56 percent.

Given Atmos Mid-Tex's claim that its historic cost of service should entitle it to recover \$141.2 million in additional system-wide revenues, the RRM settlement at \$90 million for ACSC Cities reflects substantial savings to ACSC Cities and the ACSC Executive Committee believes it is fair and reasonable. The new rates will become effective December 1, 2020.

ALIGNMENT WITH ADOPTED PLANS:

Plan	Comments
Strategic Plan	This item supports the City of Temple's Strategic Plan goal of "A City that supports well-managed growth and development to promote a thriving economy" as well as the Strategic Plan commitment of "Facilitate high quality, safe, and strategic community growth."

STAFF RECOMMENDATION: Staff recommends that Council adopt resolution as presented.

BOARDS & COMMISSIONS RECOMMENDATION: This item was not reviewed by any of the official boards and commissions.

FISCAL IMPACT: The FY 2021 Operating Budget includes \$93,425 for gas utilities for multiple City departments and facilities. The RRM settlement will result in a rate increase to the City effective December 1, 2020. The increase for average commercial usage will be \$15.48 or 6.56 percent per Atmos Energy Corp.

ATTACHMENTS:
Resolution