

CITY COUNCIL MEMORANDUM

FROM: The Office of the City Manager **DATE:** August 28, 2023
SUBJECT: Approve Ordinance No. 3809, approving a negotiated settlement between the Atmos Cities Steering Committee ("ACSC") and Atmos Energy Corp., Mid-Tex Division regarding the Company's 2023 Rate Review Mechanism Filing.
PRESENTER: Karen Manila, Assistant City Manager

SUMMARY:

The purpose of the ordinance is for City Council to consider approval of a settlement agreement and the resulting rate changes under the Rate Review Mechanism tariff. As a result of negotiations, the Executive Committee for the Atmos Cities Steering Committee was able to reduce Atmos Mid-Tex's requested system-wide rate increase.

GENERAL DESCRIPTION:

The City of North Richland Hills, along with 181 other Atmos Energy Corporation, Mid-Tex Division cities, is a member of the Atmos Cities Steering Committee ("ACSC"). This organization, along with Atmos Mid-Tex, settled a rate application in 2007 by creating a rate review mechanism tariff ("RRM") to replace the legislatively authorized gas reliability infrastructure program surcharge ("GRIP"). The RRM provides for a more comprehensive annual rate review. The item before you is the negotiated settlement and resulting rate changes under the RRM.

In late March 2023, Atmos Energy Corp., Mid-Tex Division ("Atmos Mid-Tex" or "Company") submitted its annual filing under the Rate Review Mechanism ("RRM") Tariff. The Company claimed that its cost-of-service for test year ending December 31, 2022 entitled it to \$165.9 million in additional system-wide revenues. Application of the standards set forth in Atmos Cities Steering Committee's ("ACSC") Rate Review Mechanism Tariff required Atmos to reduce its systemwide request to \$156.1 million. After reviewing the filing, conducting discovery, and engaging in settlement meetings, Atmos Mid-Tex and ACSC have settled the case for \$142 million. This is a reduction of \$23.9 million to the Company's initial request.

The tariffs attached to the ordinance approve rates that will increase the Company's revenues by \$142 million effective for bills rendered on or after October 1, 2023. The monthly residential customer charge will increase from \$21.55 per month to \$22.25 per month. The consumption charge will increase from \$0.36223 to \$0.48567 per Ccf. The impact to the monthly bill for the typical residential customer will be an increase of \$6.47 or 7.3%. The increase for the average commercial customer will be \$24.72 or 5.19%.



The ACSC Executive Committee and its designated legal counsel and consultants recommend that all cities adopt the ordinance with its attachments approving the rate settlement resolving the 2023 RRM filing, and implementing the rate change.

RECOMMENDATION:

Approve Ordinance 3809.